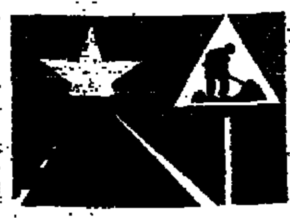
Unequal battle
Selling Britain in Mexico
Page 12

Dam busters
Bringing salmon back to US rivers
Page 10

French dilemma
Socialists look for lost voters
Page 12



Highway One
Coveted contracts in Vietnam
Page 4

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY AUGUST 31 1994 — D8523A

Surging sales push Volvo profits past $1bn in first half

Volvo, Sweden's biggest manufacturing company, confirmed its recovery from recession with a leap in first-half pre-tax profits to SKr9.02bn ($1.17bn) from SKr380m in the same period last year, helped by surging sales for Volvo cars and trucks, favourable currency movements and the benefits of restructuring. The result will give the board installed after the collapse of the Renault merger last December confidence to push ahead with its plan to concentrate on motor industry operations and shed some SKr40bn worth of non-core assets. Page 15; Lex, Page 14; Renault sale waits on Volvo, Page 2

US signs up for $5bn of Chinese business: US companies have initialled $5bn of agreements with Chinese counterparts in the power, automotive, and communications sectors in the last two days. Page 4

Mansell to return to grand prix racing

Nigel Mansell (left) is to quit IndyCar racing in the US and rejoin the UK's Williams Formula One team for the last three races of the motor racing grand prix season. He will be team-mate to fellow Briton Damon Hill, currently second in the world drivers' championship. Formula One leader Michael Schumacher of Germany will miss the next two grand prix races after losing an appeal against his suspension and disqualification for ignoring a black flag during the British grand prix.

Air France names cost-cutting adviser: Steven Wolf, former head of US carrier United Airlines, has joined loss-making Air France to advise on cost cutting. Page 16

American Airlines seeks savings: American Airlines became the latest US carrier to embark on a severe cost-cutting programme with plans to reduce annual expenses by $1bn. Page 15

Global investment rises: Global investment surged last year after two years of decline, a UN world investment report says. Page 14

General Signal set to double sales: US electrical equipment manufacturer General Signal is set to double its sales with the all-stock acquisition of Cleveland-based Reliance Electric. The deal is valued at $1.3bn. Page 15

US may ease rules for Cubans: The US administration may relax immigration rules to allow more legal Cuban immigrants in return for a commitment from the Castro government to halt the refugee exodus. Page 5

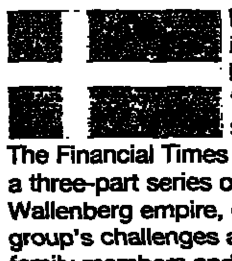
South African merger: Trans-Natal Coal and Randcoal, two of South Africa's biggest coal companies, plan to merge. The new company, with assets of R4.3bn ($615m), will be the third largest privately-owned coal producer in the world. Page 17

Germany's postal monopoly weakened: Germany's state postal monopoly was weakened by an agreement to let private companies deliver shopping catalogues, magazines and advertising material. Page 14

Japanese jobless reaches seven-year high: Japanese unemployment rose to a seven-year high of 3 per cent in July, the second monthly increase in a row. Page 14

German engineer to sell stake: Metallgesellschaft, the troubled German metals and engineering group, is to raise almost C$460m (US$218m) from the sale of its controlling stake in Metall Mining, the international mining group based in Canada. Page 17

Chile targets education: Chile is to make education its main spending priority as part of its strategy to become a developed nation, finance minister Eduardo Aninat said. Page 5



Europe's top industrial dynasty has emerged from the recession stronger than ever. The Financial Times tomorrow launches a three-part series on Sweden's Wallenberg empire, exploring the group's challenges and looks at the key family members and managers.

■ STOCK MARKET INDICES		
FT-SE 100:	3,249.6	(-15.5)
Yield	3.87	
FT-SE Eurotrack 100	1,401.90	(+16.01)
FT-SE-A All-Share	1,625.57	(-0.3%)
Nikkei	20,592.12	(-8.30)
New York lunchtime:		
Dow Jones Ind Ave	3,893.35	(-5.50)
S&P Composite	473.96	(-0.63)
■ US LUNCHTIME RATES		
Federal Funds:	4¼%	
3-mo Treas Bills: Yld	4.708%	
Long Bond	100⅞	
Yield	7.48%	
■ LONDON MONEY		
3-mo Interbank	5½	(5½%)
Liffe long gilt future:	Sep 102⅞	(Sep 102⅜)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$16.255	(16.35)
■ GOLD		
New York Comex (Dec)	$390.8	(391.8)
London	$386.5	(383.3)

■ STERLING		
New York lunchtime:		
$	1.535	
London:		
$	1.5333	(1.542)
DM	2.4233	(2.4078)
FFr	8.2937	(8.2506)
SFr	2.0447	(2.0315)
Y	152.816	(154.635)
£ Index	79.0	78.9
■ DOLLAR		
New York lunchtime:		
DM	1.57775	
FFr	5.4015	
SFr	1.33235	
Y	99.695	
London:		
DM	1.5805	(1.5615)
FFr	5.408	(5.3507)
SFr	1.3336	(1.3175)
Y	99.665	(100.285)
$ Index	63.3	(63.1)
Tokyo close Y 99.72		

Austria	Sch30	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$19	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lev80.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pts225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils625	Poland	Z132,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal(mainland)	Esc225	Turkey	L30000		
						UAE	Dh12.00		

$10bn US defence merger

Lockheed and Martin Marietta accord prompted by need to reduce high costs

By Richard Tomkins in New York and Bernard Gray in London

The world defence industry saw its biggest consolidation yet yesterday when Lockheed and Martin Marietta, two of the top three US defence contractors, unveiled plans for a $10bn merger.

The new company, to be called Lockheed Martin, will oust McDonnell Douglas as the world's biggest defence contractor. On the basis of Lockheed and Martin Marietta's combined sales of $22.5bn last year, Lockheed Martin will be the 16th-largest company in the US. The companies have assets of $17.8bn and presently employ 170,000 people.

Cost-cutting in an extremely tough defence market is the main reason behind the merger. Mr Norman Augustine, chairman of Martin Marietta, told a press conference in New York: "The arithmetic is simple. Three full factories are better than six half-full factories."

Approximately 60 per cent of the merged company's business will be military, with a further 9 per cent coming from the US space agency NASA or civil government contracts.

Job cuts are likely to be heaviest in central and administrative functions such as headquarters staff, property, information services and treasury. The two companies have largely complementary industrial operations, with Lockheed specialising in aircraft manufacture and Martin Marietta in electronics. Only in the space and missiles operations is there a significant overlap.

Under the terms of the deal Lockheed shareholders will receive 1.63 Lockheed Martin shares for each Lockheed share, and Martin Marietta shareholders will receive the new company's shares in a one-for-one swap. The new company intends to pay a dividend of $1.40 a share, equal to that presently paid by Lockheed.

The all-share deal was initiated by Mr Dan Tellep of Lockheed about five months ago. Negotiations were concluded in New York late on Monday night. Mr Tellep will become chairman of the merged company, with Mr Augustine becoming president. Mr Augustine is expected to succeed Mr Tellep on his retirement.

Joint manoeuvres aid the defence .... Page 13
Editorial Comment .... Page 13
Lex .... Page 14

Although the US defence industry has shrunk significantly since the end of the cold war, its rate of contraction has failed to keep up with the reduction in defence spending.

Martin Marietta's Mr Augustine said: "The fact is that the defence budget has been cut, is being cut, and there are simply too many companies in our industry to prosper or for our customers to afford."

Martin Marietta have both participated in earlier consolidations: Lockheed recently bought General Dynamics' F-16 fighter aircraft business, while Martin Marietta bought General Electric's aerospace business and General Dynamics' space systems division. But Mr Daniel Tellep, chairman and chief executive of Lockheed, said acquisition prices had gone too high.

The deal is subject to federal antitrust clearance, but both companies are optimistic of winning approval because the Defence Department has been pressing the industry to consolidate more rapidly. "The bottom line is that the national defence budget simply cannot afford all the inefficiencies that go with an industry in such a condition," Mr Augustine said.

The Pentagon said yesterday that while it viewed consolidation in the defence industry as inevitable, the merger would be reviewed by defence officials in conjunction with the Department of Justice and the Federal Trade Commission.

Lockheed's Mr Tellep said the combined group already served several non-defence markets. The deal should be completed in the first quarter of next year.

Rowland under threat over £5.5m costs claim

By Robert Peston and Roland Rudd

Mr Tiny Rowland will this week be fighting to survive as joint chief executive of Lonrho – the international trading company he has run for 33 years – after the disclosure that he costs the company more than £5.5m ($8.5m) a year in salary, expenses and other charges under his direct control.

They include a contribution of about £500,000 to the costs of his Belgravia home and a mansion at Hedsor Wharf, near Cliveden in Buckinghamshire; more than £1m in business expenses; and £200,000 to pay for the education of dependants of African politicians and business contacts.

Directors said yesterday they were so shocked at the magnitude of what Mr Rowland cost the company they may vote to strip him of his executive duties at a board meeting tomorrow.

For the past year, Mr Rowland has been at loggerheads with Mr

Great survivor faces day of reckoning .... Page 15
Lex .... Page 14

Dieter Bock, his fellow chief executive, who acquired an 18.8 per cent stake in Lonrho at the beginning of 1993. He believes Mr Rowland has been frustrating his attempts to reorganise Lonrho's assets.

At the board meeting, Mr Rowland will also face criticism about his sale for £200,000 of a film financed by Lonrho about the Lockerbie bombing to an Egyptian company, the Joint Arab International Investment Company (Jaico), connected to the Libyan Arab Finance Company (Lafico).

Directors are concerned that the sale may have breached United Nations restrictions on the sale of investments to Libya.

Documentary evidence of a connection between Jaico and Lafico is that Mr Mohamed El Huwej, the chairman of Lafico, signed the sale contract on behalf of Jaico.

Under UN sanctions, compa-

Continued on Page 14

US moves closer to launching Haiti invasion

By James Harding in Washington

US and Caribbean governments yesterday moved closer to launching a multinational invasion force against Haiti, as the United Nations warned that diplomatic efforts to oust the military leadership had failed.

US threats of an imminent invasion reached a new pitch, with a Defence Department official saying the US was not yet at the point of invasion "but we are moving briskly in that direction... we are very close to exhausting all peaceful means".

Momentum for a military coalition grew with the announcement that Caribbean nations would join a US-led force. Jamaica, Barbados, Belize and Trinidad-Tobago indicated they would commit troops at a meeting of the Caribbean Community (Caricom) in Kingston, Jamaica, attended by Mr Strobe Talbott, US deputy secretary of state, and Mr John Deutch, US deputy defence secretary.

The US last month won a UN mandate to oust "by all necessary means" the military élite who deposed President Bertrand Aristide nearly three years ago. Since then the administration has edged away from suggestions of an immediate invasion.

In New York, Mr Boutros Boutros Ghali, UN secretary-general, told the Security Council the last peaceful efforts to persuade Haiti's rulers to step down had failed as "the military people in Haiti refused to talk with my special representative". He said there were no plans to continue the diplomatic mission unless there was a new mandate from the Security Council.

Mr Boutros Ghali implied the next step would be up to the US. The Security Council or the group of states who "sought the mandate... will have to take their own decision", he said.

The escalation in US rhetoric follows criticism that the Haiti issue had been put on the back burner in the past two weeks as the Cuban refugee crisis gripped the attention of the Clinton administration.

However, late on Monday night, a US State Department spokesman reiterated the "determination of the international community to take all the necessary means to bring the early restoration of democracy".

Since the UN passed Resolution 940 last month, which sanctioned the removal of Haiti's military government by "all necessary means", the State Department is understood to have been seeking commitments from Caribbean and Latin American allies to contribute to a multinational invasion force.

Hopes rise for great leap forward in Ulster

Sign of the times in Northern Ireland: a boy throws a ball near a wall in north Belfast as ceasefire hopes gather momentum — Picture: Reuter

UK denies offering secret concessions to Ulster republicans

By David Owen in London and Tim Coone in Dublin

The UK government moved yesterday to counter suspicions among hardline Protestant groups that it had offered secret concessions to republican leaders as Northern Ireland prepared for an IRA ceasefire that could signal the end of its 25-year armed campaign.

With expectations mounting of an imminent – and possibly historic – IRA announcement, Downing Street said no concessions had been made to anyone and emphasised the province's status would not change without the consent of the majority.

Its comments came as hopes were rising in Dublin that the expected IRA statement could go further than expected and might even commit the organisation to a permanent cessation of violence, as demanded by the British and Irish governments.

These hopes were bolstered by the upbeat tone of remarks made last night by Mr Albert Reynolds, the Irish prime minister, after a meeting of the Irish cabinet.

Mr Reynolds said he believed the island of Ireland was "poised for peace". He added: "A complete cessation of violence and the principles of the Downing Street declaration are our new starting point."

In the US, White House officials were said to be "at fever pitch" over the improving prospects of peace in the province.

The Clinton administration is understood to be preparing to offer a large increase in US financial aid to Northern Ireland, although White House officials said last night no decision would be taken until the exact terms of the ceasefire became clear.

The US already gives $20m a year to the International Fund for Ireland, which is jointly administered by the UK and the Irish Republic.

A permanent cessation of IRA violence would open the way for exploratory talks to begin between Sinn Féin, the IRA's political wing, and the British government within three months.

These talks would explore the basis for Sinn Féin's admittance into political talks on the province's future and examine the practical consequences of the ending of violence.

Yesterday's developments followed the first public acknowledgement by Mr Gerry Adams, Sinn Féin president, that he had

Continued on Page 14
US to back peace move, Page 8

CONTENTS

News
European News 2
International News 3
American News 5
World Trade News 4
UK News 7,8
People 10
Weather 14
Lex 14

Features
Leader Page 13
Letters 12
Management 9
Observer 13
Technology 10
Arts 11
Arts Guide 11
Crossword 24

Companies
UK 20,22
Intl. Cap Mkts 18
Intl. Companies 16,17

Markets
Commodities 24
FT Actuaries 25
FT World Actuaries 36
Foreign Exchanges 32
Gold Markets 24
Equity Options 36
Int. Bond Service 18
Managed Funds 28-32
Money Markets 32
Recent Issues 36
Share Information 26,27
Traditional Options 36
London SE 25
Wall Street 33-36
Bourses 33,36

 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Belgrade ignores Bosnian Serb vote

By Laura Silber in Belgrade

With diplomatic efforts under way to broker an agreement on supervision of Serbia's borders with Bosnia, Serbian leaders yesterday pointedly ignored the defiant vote of their one-time Bosnian protégés who decided in a weekend referendum to reject a UN-backed partition of Bosnia.

After a marathon meeting lasting until early yesterday morning with President Slobodan Milosevic of Serbia, Mr Andrei Kozyrev, Russia's foreign minister, continued a diplomatic tour of former Yugoslavia, and met leaders of the Moslem-led Bosnian government.

The Belgrade meeting remained shrouded in secrecy yesterday but diplomats believe Mr Milosevic was trying to see what concessions he could wring from Russia and the West in exchange for stationing monitors on the frontier with Bosnia. Serbia imposed economic sanctions on the Bosnian Serbs earlier this month for their refusal to endorse a peace plan.

They believe the international community is keen to give the impression that Mr Milosevic is not under international pressure to put monitors on the border. This would ease nationalists' charges about betraying their kith and kin in Bosnia.

The contact group – Russia, the US, Germany, France and the UK – is hoping that Mr Milosevic will tighten the noose round the Bosnian Serbs. But reports that he had proposed monitors on Bosnia's frontiers with Croatia too were dismissed as a "non-starter".

The US has threatened to lift its embargo on arms sales to the warring parties in Bosnia if Bosnian Serbs continue to block the peace plan, but the Bosnian Moslem government has been bolstering its army with weapons smuggled through Croatia.

Mr Milosevic's resolve to punish Bosnian Serb leaders may harden after referendum results from Serb areas in Bosnia yesterday, which showed that the partition maps proposed by the contact group had been overwhelmingly rejected.

The results of the poll – dismissed as irrelevant by peace mediators – came as no surprise. While diplomats admit that the referendum may further entrench the Bosnian Serb leadership, they say it will have little impact on the peace process.

More than 90 per cent of Bosnian Serb voters rejected the maps which divide the war-torn country roughly in half, said Mr Petko Cancar, head of the referendum commission.

Bangemann appeals for more competition

EU plea for private telecom funding

By Lionel Barber in Brussels

The private sector – not the public sector – should take the lead in funding the telecommunications networks of the future, Mr Martin Bangemann, EU industry commissioner, said yesterday.

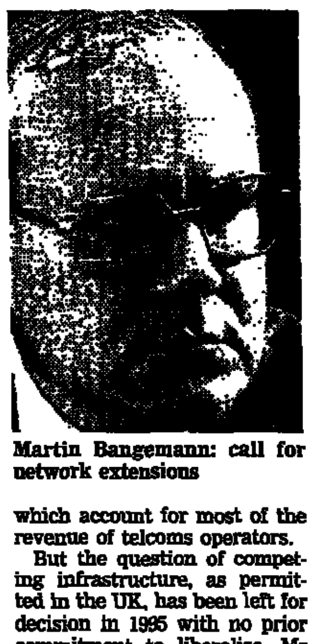
In a speech to the 13th World Computer Congress in Hamburg, Mr Bangemann said there was no need for extra public sector funding; but he warned that private companies and consortia had to be given the chance to compete on an equal footing.

This meant breaking up long distance telephone monoplies, and linking existing networks as fast as possible so as to achieve the lower tariffs vital for creating the new information society.

"The only way to get lower tariffs is through competition," he told delegates.

Mr Bangemann's crusading tone comes amid pressure from Brussels to liberalise the supply of telecommunications infrastructure across the European Union, despite continued opposition from national telecoms operators fighting the loss of their monopolies.

Mobile, satellite and other business-related services are already open to competition. EU governments have also agreed to set a target date of 1998 for the opening of competition in basic "voice services"



Martin Bangemann: call for network extensions

which account for most of the revenue of telcoms operators.

But the question of competing infrastructure, as permitted in the UK, has been left for decision in 1995 with no prior commitment to liberalise. Mr Bangemann's speech yesterday suggests further pressure from the Commission to bring forward the decision and secure a commitment to infrastructure competition from member states.

The speech comes as the European Commission is putting final touches to a new document on EU industrial policy in the 1990s. The document is likely to be measured against the strategy for industrial policy set out by Mr Bangemann in 1990. The 1990 paper abandoned "vertical" policies in favour of channelling aid to particular sectors. Instead, it promoted "horizontal" spending on training, infrastructure and research – the idea being to bolster competitiveness and benefit the whole European economy rather than championing individual industries.

In his speech, Mr Bangemann said industrial policy should not only cover the technological industries of tomorrow. New technologies could – and should – be adapted to tackle today's problems.

He cited the use of computerised traffic management systems; introduction of modern diagnostic equipment which could offer early warning systems registering air pollution; and use of information networks such as "telemedicine".

Mr Bangemann called for an extension of telecom networks to pave the way for multi-media services such as teleshopping, telebanking and teleworking.

But he also said it was important to strengthen data protection and copyright. EU leaders at the Corfu summit last June agreed that the Commission should establish a regulatory framework to cover access to markets, compatability between networks, intellectual property rights and data protection.

Danes to go to the polls next month

By Hilary Barnes in Copenhagen

Prime Minister Poul Nyrup Rasmussen yesterday called a general election to the Folketing for September 21, breaking with tradition by choosing a Wednesday rather than a Tuesday for the vote.

Mr Rasmussen, leader of the Social Democratic party, made his announcement despite a Gallup poll yesterday that showed two of the four parties in his centre-left majority coalition face elimination from the Folketing.

"A Gallup poll is not the same as an election," he said.

He hoped to be able to continue in office at the head of the present government, which besides his own party includes the Radical Liberals, the Centre Democrats and the Christian People's Party.

The latter two parties risk failing to qualify for Folketing seats by attracting less than 2 per cent of the vote.

If the election result reflects the opinion polls, the next parliament will be sharply divided between the left and right because of the weakened small centre parties.

Mr Rasmussen however, has a good chance of staying at the head of a minority government of Social Democrats and Radicals, but this government would have to rely on the support of the left-wing Socialist People's party. Together, these three parties scored 52 per cent in yesterday's Gallup, with the Social Democrats at 33.5 per cent compared with 37.4 per cent in the 1991 election, the Radicals at 4.8 per cent compared with 3.5 per cent and the Socialist People's party moving ahead to 11.1 per cent from 8.3 per cent.

Mr Uffe Ellemann-Jensen, leader of the Liberal party and the leading candidate to become prime minister in a non-Socialist coalition, welcomed the Gallup. "People can see the risk they run of getting a red cabinet," he said.

The Liberals are heading for a strong result, with Gallup showing them at 23.1 per cent against 15.8 per cent in 1991.

The Liberal party and the Conservative party, led by Mr Hans Engell, the former minister of justice, hope to form a coalition on the basis of support from the right-wing populist Progress party.

Mr Rasmussen's coalition took office (without election) in January 1993, after just over 10 years of rule by Conservative-Liberal coalitions under Conservative leader Mr Poul Schluter, who resigned over the treatment of Tamil refugees. Mr Rasmussen's government has implemented a strongly expansive fiscal policy this year to kick-start the economy.

Mr Rasmussen said the election campaign would focus on the welfare state, which his own party wished to maintain and improve, while the right aims to cut government expenditure.

Mr Rasmussen announcing the election yesterday: 'A Gallup poll is not the same as an election' Picture: AP

Poland expects debt deal to boost investment

By Christopher Bobinski in Warsaw

Poland expects to see private investment inflows worth "well over $1bn (£600m) a year" in the wake of its commercial debt reduction agreement due to be completed this month, Mr Grzegorz Kolodko, the country's deputy premier and finance minister said yesterday.

Mr Kolodko was speaking after Poland had received the final assents needed from 600 holders of the country's $14bn of commercial debt for the agreement to go ahead. "Last Friday the last major holder agreed to the buy-back component," Mr Kolodko said. This meant the debt reduction would amount to 49.5 per cent of the commercial debt stock.

Overall at the end of April Poland's net foreign debt stood at $44bn. The country's debt to western governments grouped in the Paris Club was cut by 50 per cent in a 1991 agreement.

"We have had an abnormal external credit situation since 1980 when the debt crisis first hit us and now we are returning to normal financial relations," Mr Kolodko said.

The agreement, which is due to be signed in Warsaw on September 14, means that the country's $14bn commercial debt will be cut by $6.6bn with another $2.4bn worth being bought back by the Poles at a rate of 41 cents to the dollar. The rest of the debt will be exchanged into 30-year par and discount bonds worth a total of $4.6bn.

The bonds are to be secured against the sum of around $900m deposited in the US Federal Reserve in US treasury bonds which will be used to redeem the Polish government paper once it falls due in October 2024.

The $1.9bn initial cost of the agreement is to be financed by $1.3bn worth of loans from the IMF and the World Bank with the balance coming from the NBP, the Polish central bank's reserves. Interest payments next year will cost $368m while the agreement, which is more generous to the Poles than originally thought because of the high buy-back component, will cost an average of $450m annually in interest payments over the next 30 years.

As late as mid-July the Poles only had the assent of 92 per cent of holders of the debt, while 95 per cent was needed for the key buy-back component to be implemented. One major creditor, believed to be the Dart family of Florida in the USA, who holds $600m or 7 per cent of the debt, was then refusing to accept the reduction deal.

"We explained to them that they had no option but to join the agreement and they assented last Friday without any additional conditions," Mr Krzysztof Krowacki, the Polish debt negotiator said yesterday, without confirming the identity of the creditor.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE. Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK. Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 Copenhagen K. Telephone 33 13 44 41, Fax 33 93 53 35.

Polish police crack down on TV stations

By Christopher Bobinski

Polish police yesterday closed down six unlicensed television stations belonging to a chain controlled by Mr Nicola Grauso, a media owner from Sardinia. The crackdown on the stations in six cities including Warsaw – which had been broadcasting on frequencies reserved for the military – came after Mr Grauso failed to get either a national or regional broadcast licence in allocations earlier this year.

The Polonia 1 network of 12 regional TV stations had continued to broadcast a popular diet of soap operas and films in defiance of broadcast legislation passed last year.

A justice ministry official said police closed those stations broadcasting on frequencies reserved for the military, but stressed that a further eight, including one not owned by Mr Grauso, would also be shut down shortly.

"Police officers and prosecutors visited the illegal stations, ordering that they be closed and in cases of no compliance they turned the equipment off themselves," the official said.

Mr Grauso also owns the Zycie Warszawy daily newspaper and says he has invested in excess of $20m in Poland. The network claims a 30 per cent share of the audience and is favoured by President Lech Walesa, who sees it as a potential ally in his second-term presidential campaign due late next year.

The president has made no secret of his opposition to Polsat, the Polish-owned station which has been granted the country's only national commercial TV licence. This decision is being contested in the courts by rivals seeking a licence.

Polonia 1 officials claimed the police action was unexpected and brutal.

"It was a storm – fully armed anti-terrorist brigades were used against defenceless journalists, many of them women," Polonia 1's spokesman said.

Bratislava starts to catch up with ally

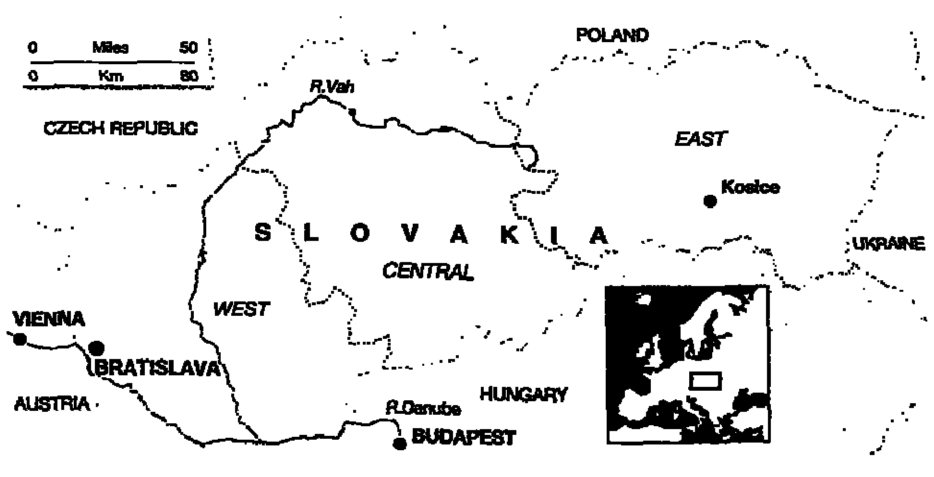
By Vincent Boland in Bratislava

EUROPEAN DIARY

Shortly after the Velvet Revolution of 1989 that ousted communism in the former Czechoslovakia there was a crisis in Bratislava's supermarkets. They ran out of yoghurt.

The distribution system, geared to a centrally planned economy, collapsed and it suddenly became impossible to get domestic products. "We have very good yoghurt in Slovakia," notes Mr Peter Kresánek, mayor of Bratislava. "But three years ago you couldn't buy Slovak yoghurt, only Austrian."

Happily, local producers soon got the hang of the market economy and Slovak yoghurt is now on display again. Ironically, it is now a big hit with the thousands of Austrian shoppers who stream across the border from Vienna, just 65km to the west, every weekend to take advantage of the city's lower prices. With the average Austrian industrial wage of $3,200 against Slovakia's $200 a month, the attractions are obvious.



The crowds of Austrian shoppers testify not just to the geographical closeness of the two cities, but also to a new business relationship that has developed since the revolution. It is a two-way relationship. Since border restrictions were eased thousands of Bratislavans have begun to travel to the Austrian capital daily to work on construction sites, as cleaners, or in shops and restaurants.

As a result unemployment in Bratislava, at less than 5 per cent, is far lower than the Slovak average of nearly 15 per cent, and higher Austrian wages give Bratislavans more spending power at home.

"The relationship is very good, both on the personal and the economic level," Mr Kresánek says. For many Bratislavans the restored links are symbolised by the close personal and working ties between Mr Kresánek and his Viennese counterpart, Mr Helmut Zilk.

At the height of the Velvet Revolution Mr Zilk made an unexpected appearance at an anti-government rally in Bratislava to tell 100,000 cheering Slovaks that the people of Vienna stood by them in their struggle. The gesture, remembered with affection by many Bratislavans, is credited with reawakening links between the two cities. Mr Zilk became an honorary citizen of the Slovak capital shortly afterwards, and the two men meet regularly.

Austria is by far the biggest foreign investor in Slovakia, accounting for over a quarter of all foreign investment in the country at the end of June. About half the total Austrian investment of $275m (£177m) in Slovakia is in Bratislava. Slovak exports to Austria last year were worth over $300m, and grew to nearly $200m in the first half of 1994.

Ambitious plans are on the drawing board to improve road and rail links, upgrade services on the Danube for tourism and cargo and even revive a passenger tram line that ran between the two cities from 1914 to 1946, although the economic cost of the latter is believed to be prohibitive.

The relationship, not surprisingly, is becoming increasingly competitive. Business people in Bratislava trumpet the city's cost advantages and well-educated workforce, but admit its drawbacks. "Bratislava can beat Vienna on cost, but not on infrastructure," says Mr L'ubomir Kardoš, a Bratislava businessman who says he wants to expand his stationery business into Vienna.

Some successes have been noted. Organisers of the annual Bratislava Trade Fair claim to have won exhibitors away from the Vienna fair by offering display space at a fifth of the cost. With Vienna airport roughly half way between the two cities, the Slovaks are counting on their lower costs to lure more business east.

WORLD NEWS DIGEST

US probe into aluminium pact

The US Justice Department is investigating whether a worldwide agreement last January to cut production of aluminium may have led to violations of anti-trust law by the aluminium industry. The US Aluminum Association said it had received formal notice of an investigation into possible anti-trust violations stemming from the agreement to restrict production of primary aluminium. US aluminium producers have got similar notices.

Ironically, the US government was one of the parties to the January agreement, which also involved Russia, the European Union, Canada, Norway and Australia, and was one of the keenest advocates of production restrictions to deal with a glut of aluminium on the world market. The agreement came in response to a flood of exports of primary aluminium from Russia, which had previously used most of its output for domestic military purposes.

At the January meeting Russia agreed to cut production by 500,000 tonnes, or about 15 per cent, for two years, while western producers were expected to make voluntary cuts totalling around 1m tonnes. The Aluminum Association said it would co-operate fully with the probe and was "confident that the association's programmes have been conducted in compliance with anti-trust law." *George Graham, Washington*

Albania presses on with trial

Albanian prosecutors yesterday demanded jail terms of between seven and nine years for five ethnic Greeks accused of spying for Athens. If they are convicted, it could put Albania on a collision course with Athens, which has already deported thousands of illegal Albanian immigrants from Greece in retaliation for what it calls a political trial. The Albanian government said Greece had deported 26,000 illegal Albanian immigrants since August 15 and Albanians living near the southern border with Greece said Athens had also tightened land and sea frontier controls.

The five accused, all members of the ethnic Greek organisation Omonia, based in southern Albania, were arrested in April following a raid on a military camp close to the Greek border. Two Albanian conscripts were killed. Tirana blamed Greece for the raid but Athens denied the charge. "They have all committed the crime of serving the Greek secret service," the prosecutor alleged. The prosecutor said the men were found in possession of illegal weapons with the intention of arming the minority "at a certain time according to orders". The trial has rekindled deep-seated tensions between Albania and Greece, which accuses Tirana of mistreating its Greek minority, estimated by Athens at 300,000 and by Tirana at 60,000. *Reuter, Tirana*

Russian crew looks for escape

Crew members of a Russian ship stranded in a Ukrainian port for six months have run out of food and soon will have no choice but to try to outrun the Ukrainian coast guard, the ship's captain said yesterday. The Russian ship Modul was detained by Ukrainian authorities at the Crimean port of Evpatoria. It has a cargo of 60 tonnes of Ukrainian ammunition for Angola. But the Ukrainian suppliers wanted the delivery stopped as they had not received payment from Angola. "If Moscow and Kiev do not help the Russian sailors, my crew will only have one option: to try to break past the border and outrun the Ukrainian coast-guard," Captain Leonid Volfovsky told a Russian news agency. He said a Russian official had come on board to try to resolve the dispute. One solution might be to load the contested cargo on to another Russian ship. *Chrystia Freeland, Moscow*

Ukrainian bid to fight crime

Ukraine's president Leonid Kuchma this week moved again to fight crime, with a decree consolidating the country's disparate security services. With crime heading the domestic political agenda, his latest step addresses public concern over what he calls the "mafiaisation of Ukraine", but carries a potentially high cost in the centralisation of police powers. After authorising police to detain suspects for 30 days without charge last month, Mr Kuchma at the weekend said the general prosecutor, the interior ministry and the security service, heir to the KGB, were to join forces on "the most difficult cases of crimes in financial and banking services, trade and those committed by public servants". The move aims to stem the spread of organised crime, but observers are worried that, by centralising investigative efforts in a manner reminiscent of the Soviet period, corruption could be entrenched at high levels, including within agencies charged with fighting it. *Matthew Kaminski, Kiev*

Australian trade deficit widens

The Australian current account deficit widened to a seasonally adjusted A$1.84bn (£887m) in July, the largest monthly deficit since March 1993 and at the upper end of market expectations. The revised deficit for June was A$1.52bn. The figure caused mild concern in financial markets, where the Australian dollar closed weaker against the US currency. There have been persistent worries that the country's strong economic recovery, which has been driven by domestic demand, coupled with the very slow upturn in business investment, could pose problems on the balance of payments front. If investment starts to surge all at once, it is argued, imports of plant and equipment will be sucked in, giving rise to mounting trade deficits. In addition, some analysts are concerned that the current drought, affecting parts of Queensland and much of New South Wales, will depress agricultural exports, compounding this problem. However, Mr Paul Keating, the prime minister, said yesterday that he believed structural changes which had made the economy more competitive should prevent a big current account problem. "The Treasury expects some increase in the deficit this year," he said, "but unlike some episodes in the past, the increase is expected to be limited." *Nikki Tait, Sydney*

Malaysia acts against sect

The Malaysian government has made further moves against an Islamic sect it accuses of trying to destabilise the country. According to government edicts published at the weekend, anyone actively involved with Al Arqam, a sect which claims 100,000 followers in Malaysia and many more in surrounding countries, is liable to arrest, flogging and imprisonment. Earlier this month, Malaysia's national Fatwa council, the body that rules on Islamic orthodoxy, said Al Arqam teachings were deviationist. More than 30 of the sect's followers were arrested over the weekend. Malaysian non-government organisations and the country's bar council have expressed concern that the government's moves violate human rights. Brokers said that a drop of more than 2 per cent on the Kuala Lumpur stock market on Friday was due to general nervousness about the government's actions against Al Arqam. The market was stable yesterday in lacklustre trading. *Kieran Cooke, Singapore*

Incomes on the rise in US

Personal incomes in the US rose a seasonally adjusted 0.5 per cent in July, the sixth straight monthly increase, outstripping the 0.2 per cent increase in consumer spending, the Commerce Department reported yesterday. Income after taxes also rose 0.5 per cent. The increases follow a rise of 0.1 per cent in June income and disposable income. Personal consumption expenditures (PCE) increased by 0.2 per cent in July, coming after a revised 0.5 per cent rise the previous month. The July figures for income and spending were generally in line with analysts' forecasts and show the economy is growing at a moderate pace. The savings rate, which represents savings as a percentage of disposable income, rose to 4.1 per cent in July from 3.7 per cent in June. Wages and salaries, a component of income closely watched by the markets for signs of inflationary pressure, also rose 0.5 per cent. The PCE deflator index, an inflation measure, rose to 129.7 in July from 129.2 in June. *James Harding, Washington*

NEWS: INTERNATIONAL

South African inflation rate rises to 8.2%

By Mark Suzman in Johannesburg

South Africa released worse-than-expected inflation figures yesterday, pushing bond yields past the psychological barrier of 17 per cent, and putting pressure on the government's ability to keep its annual deficit at the budgeted level of 6.4 per cent.

The Consumer Price Index for July rose at an annualised rate of 8.2 per cent, up from 7.5 per cent in June and a full percentage point above the 21-year low reached in April of 7.1 per cent. In response, rates on the government's benchmark R150 bond rose to 17.05 per cent yesterday, before dropping back to finish the day at 16.76 per cent.

Bond yields, which hit a low of 11.6 per cent in January, have been rising steadily since the April elections and have soared over the past few weeks, fuelled largely by fears of higher inflation and a lack of faith in government promises of fiscal restraint. Economists say the recent rise in the bond market could add between R1bn and R1.5bn ($280m-$420m) to the government's interest bill, which already accounts for some 17 per cent of the budget.

Also contributing to the bear market is continuing uncertainty over the future of South Africa's two-tier currency. Government and monetary officials are committed to scrapping the financial rand investment currency, a move almost certain to send short-term interest rates rocketing, but have given no timetable for the move. Thus, the currency and bond markets are prey to continued activity by speculators trying to second-guess the financial authorities.

In recent days, fears over the state of President Mandela's health and worries that South Africa's international credit rating, soon to be announced by the major agencies, will be lower than the anticipated BBB have also contributed to the run.

● An estimated 25,000 workers in the car-making industry, taking part in the longest and costliest stoppage since President Mandela came to power in May, rejected the employers' revised pay offer of 10.5 per cent, their union leader announced yesterday.

By the end of last week, the strike by the National Union of Metalworkers of South Africa had cost the industry more than R2.2bn in turnover, an official of the Automobile Manufacturers Employers' Organisation said.

Philippines steps up its privatisation drive

The Manila Hotel leads a list of high-value assets on offer. Jose Galang reports

The Philippines government has the big-ticket items on the block in its privatisation drive. The Manila Hotel, the famous landmark by Manila Bay, is now up for auction in a programme that has already raised more than 30bn pesos (£735m) for the government.

The next assets to be privatised will be National Steel Corporation and National Power Corporation (Napocor). However, these may yet take some time because of disputes over who should shoulder their debt burdens and, in the case of Napocor, the division of its assets. Government Service Insurance System (GSIS), the state-administered employee retirement and benefits fund that owns the hotel through its Manila Hotel Corporation (MHC), yesterday announced a three-stage plan to privatise the prized asset.

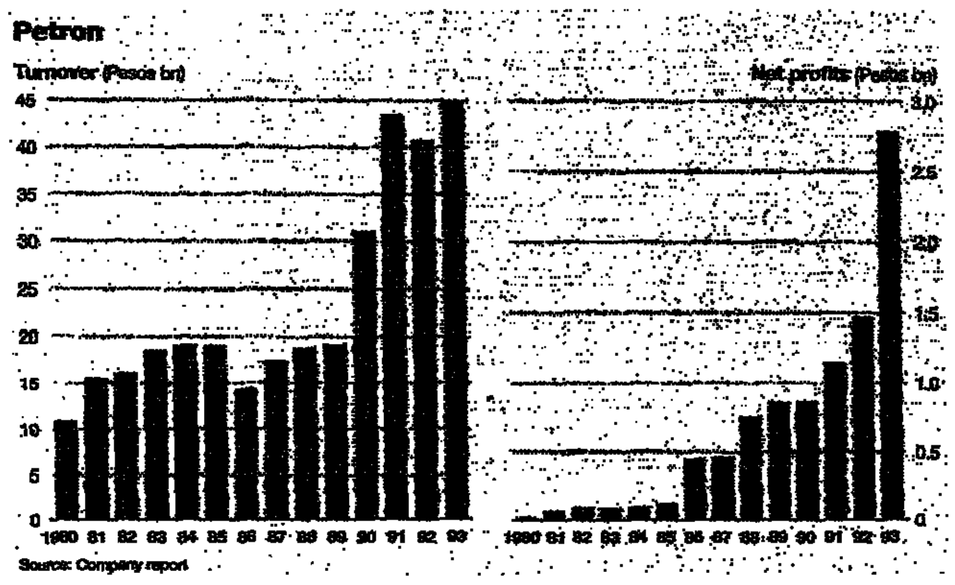
The move, which follows closely the successful privatisation of oil-industry leader Petron Corporation, involves:

● sale of 20-30 per cent of MHC to a "strategic partner" to be selected through an open bidding in October,

● a stock offering of 20 per cent of MHC to GSIS members and hotel employees in December, and

● a public offering of 5 to 15 per cent of MHC shares of stock in January 1995.

After completion of the programme, GSIS's holdings in MHC will have been reduced to 45 per cent.



Source: Company report

As in the Petron experience, the strategic partner will be relied upon to provide wide expertise and financial support for the hotel's stability and expansion.

While the privatisations are only partial, they will mean that both Petron and MHC will no longer operate as state entities.

They follow the sale in 1991 of 30 per cent of the Philippine National Bank and 67 per cent of Philippine Airlines in 1992.

The strategic partner "will, under a management contract, provide MHC with a global tie-up and expertise in operational capabilities in the hotel business," Mr Cesar Sarino, GSIS president, said at the weekend. Although revenues have risen to some 600m pesos a year, the hotel's profits have slowed by about 25 per cent each year since 1991.

The Manila Hotel divestment further bolsters the government's privatisation programme. The Petron sale generated a total of 21.5bn pesos (making it the largest privatisation effort in the country), of which 14.7bn pesos came from the 40 per cent holdings won by Saudi Arabian Oil Company in a public bidding.

Aside from giving it the most widely dispersed ownership base among Philippine corporations, Petron's privatisation should be able to bolster its resources in the increasingly competitive industry. As a government-owned entity, Petron has had to contend with cumbersome regulations that at times curtailed efforts at expansion.

For instance, in opening a new petrol station the company had to go through circuitous public biddings and government audits required of state enterprises.

This explains why, in spite of Petron's overall oil market leadership, it has garnered the least share in the retail market. The procedural bottlenecks often curtailed Petron's ability to react quickly to emerging market trends.

"For Petron, its privatisation frees it from certain government regulations, thus giving it the level playing field it needs to compete effectively," said Mr Monico Jacob, who has been retained as company president under the new ownership set-up.

Petron has remained the industry leader for the past 17 years (its overall market share last year was 45 per cent) owing to its edge in sales to the industrial sector, including refining of crude petroleum for its rivals in the local industry, and its dominance of the cooking gas market.

In 1993, Petron recorded total revenues of 44.94bn pesos, the most by any Philippine business organisation. Its net profits of 2.78bn pesos for the year were also the fifth largest among leading corporations.

Without a change in its production capacities, however, that leadership is predicted to be eroded in the coming years as the Philippine economy grows. Recent studies have indicated that a new oil refinery being put up by its closest rival, Pilipinas Shell Petroleum, the subsidiary of the Anglo-Dutch Shell group, will adversely affect Petron's profit performance once it goes into full operation.

Pilipinas Shell has invested $700m (£450m) in a programme to double its refinery capacity from its present 70,000 barrels of oil per day (b/d). That will put its capacity closer to Petron's current 155,000 b/d. The third oil company in the country, Caltex Philippines, also has plans to double its 65,000 b/d refinery.

Saudi Aramco, the world's largest oil exporter (shipments last year were estimated at over $50bn), has not only pledged uninterrupted oil supplies (Petron gets about 90 per cent of its crude oil requirements from Middle East producers), it has also agreed to help make Petron an export refiner in south-east Asia, an activity currently dominated by Singapore.

The Saudi investor is also expected to help Petron on its planned capital expenditure programme over the next five years that will require investments of some 12.18bn pesos. The bulk of these funds are intended for a hydro refining project (costing 8.58bn pesos) to expand the company's production of unleaded gasoline, and a gasoil desulfuriser facility (costing 703m pesos) for production of environment-friendly low-sulfur diesel fuel.

Row over taxes ends honeymoon

Japan coalition split on reform

By William Dawkins in Tokyo

A public split over foreign policy and tax reform has ended the two-month honeymoon enjoyed by partners in Japan's new coalition government.

Mr Tomiichi Murayama, Socialist prime minister of a three-party coalition dominated by the conservative Liberal Democratic party, exhibited splits with his LDP partners during a four-country tour of south-east Asia, ending yesterday.

Speaking in Singapore, the pacifist Mr Murayama reversed the previous government's unprecedentedly explicit bid for a permanent seat on the UN Security Council. He called for caution on the move, a mark of his own deep pacifism.

Mr Murayama was immediatedly contradicted by Mr Ryutaro Hashimoto, LDP minister for international trade and industry, seen by a growing number of government officials as a likely next prime minister. Japan would "suffer a loss" if it failed to become a permanent council member, Mr Hashimoto said.

Some senior LDP members, including Mr Yohei Kono, foreign minister, share Mr Murayama's caution. Yet the UN debate goes to the heart of an unresolved rift in the ruling classes over whether Japan should seek diplomatic influence and responsibility commensurate with its economic weight, or be content with a discreet international profile.

Separately, Mr Murayama reopened a long-running controversy over the weakening state of Japan's government finances by saying that he did not necessarily want to deliver planned cuts in income tax and increases in sales tax in a single package.

This drew a quick, though polite, response from Mr Masayoshi Takemura, finance minister and head of the New Harbinger party, the junior coalition partner. He stressed that it would be "desirable" to link an income tax cut and a consumption tax increase in a "concrete" tax reform to be decided by the end of September, for enactment by the end of the year.

Mr Takemura is sensitive to his own ministry's fear that the government faces a sharp rise in its general deficit, now at 1.9 per cent of gross domestic product, if it fails to increase indirect taxes. This is needed to compensate for an expected shrinkage in the income tax base caused by a steep decline in the number of wage earners and a rise in pensioners expected over the next 20 years.

A woman and her son stand in the rain yesterday looking at the remains of their burnt-out Bangkok home *Associated Press*

BLAZE LEAVES 3,000 HOMELESS IN BANGKOK

A fire blazed through Bangkok's Klong Toey slum district yesterday, destroying up to 700 homes, AP reports from Bangkok. Officials said only one rescue worker was injured, but 3,000 residents were left without homes.

The fire spread rapidly through the low-income district because many the homes are built of wood and packed close together.

The authorities are investigating the cause of the fire.

NEWS IN BRIEF

Population talks boycott threat

Sudan yesterday became the second Moslem country in two days to boycott next week's International Conference on Population and Development in Cairo. The move follows an attack last week on the conference's programme by President Omar Hassan al-Bashir, Sudan's leader, who said it contradicted moral and religious values, Mark Nicholson writes from Cairo.

Sudan's decision not to send a delegation comes a day after that by Saudi Arabia. Saudi officials have so far failed to specify why they will not participate. However, Sudanese officials were quoted yesterday by state media as calling for a generalised boycott of the meeting, which they accused of being a western ploy to curb population growth in the Moslem world.

Egyptian Islamic opponents of the conference, however, yesterday failed in an attempt to have it barred from taking place in Cairo as an Egyptian court threw out an attempt by three prominent Islamist lawyers to ban the meeting.

The Court of Administrative Justice ruled it did not have jurisdiction to rule on the case. The lawyers said they would appeal to a higher court in a bid to halt the conference before its scheduled opening on Monday.

Meanwhile, Mrs Tancu Çiller, Turkish prime minister, yesterday said she would not attend the event. An official statement said she would be too busy preparing for the early September opening of parliament to attend. The prime minister of Bangladesh, Mrs Begum Khaleda Zia, has already said she was too "pressed" at home to attend the meeting.

Pressure on N-arms rivals

International mediators pressed India and Pakistan yesterday to renounce their alleged atomic weapons programmes as Islamabad and New Delhi each expelled one of the other's diplomats in a spying row, Reuter reports from New Delhi.

A meeting in New Delhi of a US-led group of nations seeking to stem the spread of missile technology urged India to halt its alleged nuclear warfare project. Senior officials from the US, Britain, Switzerland and Australia told the Indian government New Delhi's alleged programme had increased regional tensions.

They sought New Delhi's support for the Missile Technology Control Regime (MTCR), which tries to prevent the spread of nuclear weapons. It was the first visit by a MTCR team to New Delhi, which has long spurned international pressure to renounce nuclear arms. Some of the MTCR officials later left for Pakistan, India's old enemy, to deliver the same message.

Former Pakistani prime minister Nawaz Sharif said last week that Islamabad already had the atomic bomb.

India, which exploded an atomic device in 1974, denies it has a nuclear weapons programme but says it is developing its own medium and short-range conventional missiles.

China condemns corruption

China, reporting a sharp jump in the number of corruption cases this year, said yesterday that rampant corruption threatened economic reform and vowed again to crack down hard on graft, Reuter reports from Beijing.

A senior prosecutor said the number of corruption cases uncovered in the first half of this year were 81 per cent up on the same 1993 period. "Corruption is very serious and threatening reforms, liberalisation and (the) socialist market economy," Mr Liang Guoqing, deputy procurator-general of the People's Supreme Procuratorate, told a news conference.

China's leaders fear public anger over corruption and inflation could upset social stability, as it did in 1989 when many ordinary people backed student-led pro-democracy demonstrations.

Sri Lankan peace move

Mrs Chandrika Kumaratunge, the new Sri Lankan prime minister, will meet the army chief and other service commanders tomorrow to discuss a ceasefire in the 11-year long war against the separatist "Tamil Tigers", Mervyn de Silva reports from Colombo. They will also discuss a partial lifting of the economic embargo imposed on the northern peninsula of Jaffna, by the previous United National party government regime. The UNP was defeated by Mrs Kumaratunge's People's Alliance, a left-inclined coalition in parliamentary elections on August 16.

Mozambique army doubts

Mozambican President Joaquim Chissano said yesterday his country was unlikely to reach its target of creating a 30,000-strong army before its first multi-party elections due in October, Reuter reports from Harare.

Mozambique, a former Portuguese colony, is supposed to have an army drawn equally from troops of the ruling Frelimo party and the former rebel movement Renamo under a 1992 peace accord which ended 16 years of civil war. "The new army comprising both Frelimo Renamo is ready, but we won't reach our target of 30,000 men before the elections," Mr Chissano told a news conference in Harare.

In recent months the United Nations, which is supervising the country's transition to democracy, had expressed doubt that the painfully slow integration of the former foes would be completed in time for the elections.

The Mozambican leader, on a brief visit to Zimbabwe, said preparations for the polls were advanced with voter registration nearly completed.

Oman 'investigating motives' of 200 dissidents

By Robin Allen

Authorities in Oman are investigating the motives of more than 200 dissidents, detained on sedition charges, having acknowledged the arrest of members of a "secret organisation using the Islamic faith as a mask for arousing sedition and splitting national unity for which the Omani Moslem society is blessed".

Many detainees have been released; the rest will be tried.

The government's six-week delay before announcing the arrests reflects its sensitivity over the existence of any dissension in a country remarkable for its cohesion and stability in the 24 years since Sultan Qaboos came to power.

Among those detained were four employees of Petroleum Development Oman (PDO), whose oil and gas exports provide nearly 80 per cent of annual state income; and two under-secretaries in the agriculture and commerce ministries.

Since the beginning of this year, diplomats and businessmen in Muscat have commented on the rise of Islamic activism, particularly among Oman's youth who have drawn their inspiration, but not necessarily money, from a variety of sources including radical Islamic groups in Pakistan, Afghanistan, Iran, Saudi Arabia and Egypt.

Diplomats and businessmen have suggested dissent may be related to the lifestyle of the élite and a rising number of unemployed school-leavers and university graduates.

The economy this year has suffered from low oil prices and the weakness of the dollar in which oil payments are denominated, combined with a strong yen, 10 per cent budget cuts and spending which is heavily imbalanced in favour of current spending on defence and civil ministries.

For example, the government share in PDO capital expenditure last year was only 7.5 per cent of total spending, and the same ratio exists this year, whereas capital equipment now on order for the armed forces is twice that proportion.

Oman's privatisation programme and its attempt to attract private foreign investors is still in its infancy. Some $4bn (£2.6bn)-$5bn is conservatively reckoned to be held abroad. But this money will not return until more investment opportunities are created.

Sir Julius Chan faces a growing economic challenge as disillusion grips resource-rich nation

Australia puts faith in new PNG prime minister

SIR JULIUS CHAN: problems ahead

By Nikki Tait in Sydney

Sir Julius Chan was sworn in as prime minister of Papua New Guinea, the resource-rich nation adjoining Indonesia's Irian Jaya, after Mr Paias Wingti, the previous incumbent, decided not to stand for re-election.

Sir Julius made his challenge for the country's top job on Monday, saying a change of government was needed to ensure political security and sound economic management.

Sir Julius, who heads the People's Progressive Party, was the country's first finance minister when it achieved independence in 1975, and was prime minister between 1980 and 1982.

Although often at odds with Mr Wingti, he had been Papua New Guinea's deputy prime minister before yesterday's events.

He first indicated that his PPP was breaking ranks with Mr Wingti's governing coalition, and was teaming up with the opposition instead, on Monday night.

Yesterday, he won the parliamentary vote by 69 votes to 32, with former speaker Mr Bill Skate, standing as the alternative candidate. The Papua New Guinea Supreme Court ordered the leadership ballot last week after declaring Mr Wingti's election in 1993 invalid.

Mr Wingti had quietly resigned and then been re-elected as prime minister the following morning. His aim was to get 18 months' immunity from a vote of confidence, since the PNG constitution allows new prime ministers this "grace period" before confidence motions can be tabled.

Sir Julius' election was greeted warmly in Australia, which has a significant trading relationship with its former colony, and provides about A$300m (£144m) in aid a year.

Relations with Mr Wingti were often strained, partly because Australia was seeking to change the aid relationship, and fund specific projects rather than provide "untied" donations, and partly because of Mr Wingti's "Look North" policy, which emphasised Papua New Guinea's Asian links.

However, Sir Julius takes over at a time when the country's economic problems are mounting; he has warned that the country, with a population of about 4m, could face bankruptcy if remedial steps are not taken. Chronic overspending by government departments is threatening the country's economic viability.

The nation's budget deficit reached Kina 270m (£186m) in 1993, or 5.5 per cent of gross domestic product, from Kina 35.2m, or 1.2 per cent of GDP, in 1989.

"The long trail of mismanagement and scandal has led us to the events of today," Sir Julius said yesterday.

Since independence, three prime ministers have been toppled by no-confidence motions. Only four prime ministers have come to power through general elections. "There is disenchantment, not just with politicians, but possibly with the whole system of government," he said.

"The horse-trading that goes on almost all the time, the bargaining, the wheeling and dealing, the unceasing jockeying for positions of power, these all infect our political process."

Sir Julius' election could ensure political stability until the next election due in 1997. Resource analysts say he is likely to implement the long-delayed Lihir gold project in his electorate of New Ireland. The project is seen as the country's potential economic saviour.

NEWS: WORLD TRADE

Sino-American relations enter fresh phase as bout of commercial diplomacy pays off

US companies sign up for $5bn of new business in China

By Tony Walker in Beijing

TOP TEN FOREIGN INVESTORS IN CHINA
Foreign Investments, 1979 - 1993

Countries	No of projects	Contracted Inv.(US$bn)
Hong Kong	114,147	150.90
US	5,269	78.47
Taiwan	20,982	18.40
Japan	7,180	8.90
France	242	6.84
Singapore	3,122	4.80
Britain	616	3.00
Thailand	1,399	2.10
Canada	1,540	1.80
Germany	569	1.50

Source: Ministry of Foreign Trade and Economic Co-operation

American companies have initialled $5bn of agreements with Chinese counterparts in the power, automotive, and communications sectors in the last two days, signalling a more aggressive US drive into the China market.

Mr Ron Brown, the US commerce secretary, who is leading a trade mission to China of the heads of some of America's biggest corporations, said yesterday he had been "exhilarated" by the success of US companies and the reception he had received from Chinese officials.

He gave notice that the Americans would be fierce competitors for an estimated $250bn worth of infrastructure projects in China before the end of the century.

"American companies – often the world's technological leaders – deserve their fair share," he said. "We intend to compete in this market, and we intend to win."

Mr Brown described his mission to China as the beginning of a new era in Sino-US commercial relations.

The high-profile US commercial diplomacy follows the Clinton administration's decision in May to "de-link" trade and human rights issues in renewing China's Most Favoured Trading access to the United States.

The MFN issue had threatened to sour Sino-US relations. US corporations argued that the administration's focus on human rights was jeopardising American business interests in China and benefiting competitors in Europe and Asia.

Mr Brown announced yesterday that China and the US would resume a dialogue next month on human rights issues. Exchanges were broken off earlier this year following the tense visit to Beijing of Mr Warren Christopher, the US Secretary of State.

Among Sino-US commercial agreements signed yesterday were:

- A $2bn agreement between the Wing Group and the Jiangsu Power Bureau for the construction of China's first LNG (liquefied natural gas) fuelled power plant, located in Jiangsu province, south-central China.
- A $1bn agreement between Entergy Corporation of the US, in partnership with the Lippo Group of Hong Kong, and the North China Power Group for an extension to a power plant at Datong, Inner Mongolia. Supplies of US-manufactured equipment would amount to $450m.
- A contract between TRW of the US, Suman Group of Guangdong province and Beijing Cable TV Network to supply 1m de-scrambler units for television programmes in Chinese households.
- An agreement between TRW and Jinan Auto-Accessories Works for the manufacture of engine valves. The joint venture is expected to produce 14m engine valves annually for China's fast-growing automotive sector.
- An agreement between Sprint Communications and China's Ministry of Post and Telecommunication for the introduction of Sprint's Internet service, opening China to the international information super-highway.

These agreements followed others initialled on Monday, including a $150m contract involving Westinghouse for the supply of steam turbines and other equipment for the Ligang power station on the Yangtze in Jiangsu province.

Representatives of American power companies such as Entergy said that while they were confident the projects would go ahead, difficult negotiations were required on financing.

Among vexed issues is the rate of return to foreign companies taking equity in power projects under "build-operate-transfer" (BOT) arrangements. China has baulked at returns exceeding 15 per cent, but company representatives said the risks involved required higher rates.

Mr Brown told a packed meeting, organised by the US-China Business Council, that US exports to China were growing at four times the rate of exports to the rest of the world, and that 150,000 Americans earned their living from these exports.

"China's importance – strategically and economically – demands that we construct a more comprehensive relationship," Mr Brown said.

The Brown mission was due to travel on to Shanghai last night, and then to Guangzhou before ending up in Hong Kong.

Bidders queue up on Highway One

Vietnam's road project is near the contract phase, writes Our Hanoi correspondent

For about 75 international construction companies bidding for contracts on Highway One, Vietnam's first large infrastructure project since 1975, the nail-biting will not last much longer.

Officials from the World Bank and Asian Development Bank (ADB) say companies should know by the end of this year whether they have clinched contracts to upgrade the country's main road artery: a pot-holed, 2,300km two-lane road that links Ho Chi Minh City with the capital, Hanoi.

Vietnamese transport officials suggest companies from South Korea and the US are front-runners in a line-up including contractors from Malaysia, Japan, India and Yugoslavia. The Chinese are also prominent, reflecting growing interest by Vietnam's giant neighbour in the country's infrastructure projects.

The World Bank and ADB are part-financing the project through loans worth a combined $278.5m (£179.6m). The total project is estimated at $317m. The World Bank loan agreement has already been signed and ADB officials say the ADB agreement should be signed within the next three weeks.

Both banks are inspecting pre-qualification documents and say they will allow approved companies to make their bids later this month.

Interest has been keen. Most international companies have seen little incentive in going for privately-financed projects due to low traffic volumes, which would limit the returns from tolls. However, with Vietnam's renewed access to funds from multilateral agencies, following the clearing of its IMF arrears, they have swooped in on Highway One.

South Korean companies, often regarded as the industry's most keenly-priced construction bidders, have submitted the most bids on both projects. Together with the American bidders – which local press reports suggest include big names such as Parsons Brinckerhoff and Brown and Root – they appear to have a slight advantage, having had a hand in building roughly 3,000km of roads in the southern part of the country before 1975.

"I think they know the conditions in Vietnam better than the others because of their experience before," said Mr Pham Ngoc Thuy, general director of the transport ministry's Project Management Unit 1, whose staff of 40 is overseeing the bids from the Vietnamese side. The criteria used to determine who gets the contracts are "technical and financial capacity," says Mr Thuy.

The portion of the Highway One upgrading overseen by the World Bank runs from Hanoi to Vinh and is split into two sections, with one contract for each. A third contract is for the section that runs south from the industrial hub of Ho Chi Minh City to Can Tho. The ADB is overseeing the stretch from Ho Chi Minh City to Nha Trang, further north.

In common with most multilaterally-funded projects, price is likely to be the determining factor. "At the end of the day, the key is price," said Mr Bradley Babson, Hanoi Resident Representative of the World Bank. "The whole idea is to award the contract to the lowest technically qualified bid."

Between 40 and 50 per cent of the bidders would get through to the next stage of being invited to submit bids early next month, said Mr Thuy.

Work should start by May and was slated for completion in mid-1998, despite the fact that some tax issues still had to be resolved, he said.

The government is still debating the tax regime for contractors awarded the projects. They could be liable for import tax, personal income tax and turnover tax, a widely unpopular special levy that applies to many foreign-investment projects in Vietnam.

"In the loan agreement with the [World] Bank, the bank has said it will not finance any part of tax and the government must contribute this part, 100 per cent," said Mr Thuy. "Whether we apply the tax or not, it's a problem," he said.

However, contractors wishing to hire labour for the project would be able to hire on the open market and there would be no special surcharges for hiring workers, as there are in the oil industry.

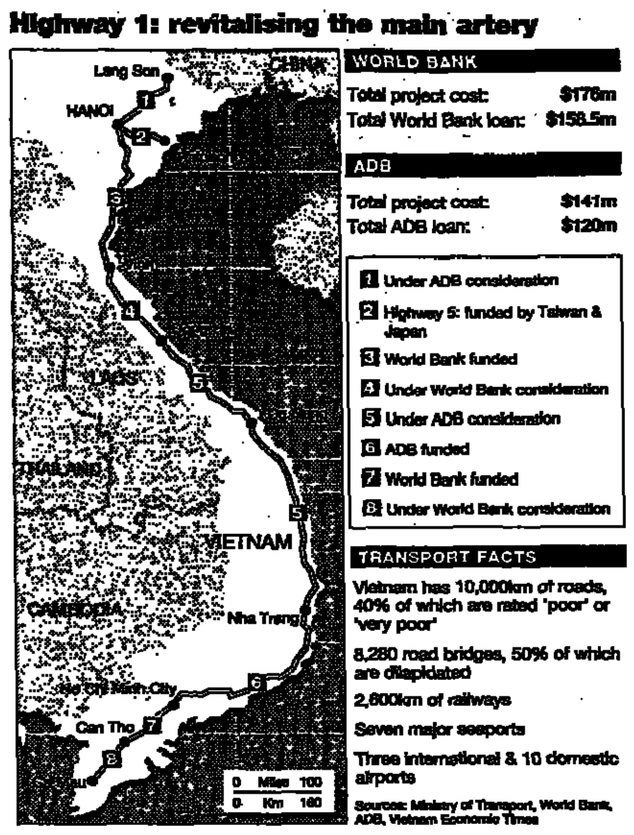
Construction companies vying for Highway One projects are anxious to have these issues ironed out before work starts, industry officials say.

Any cost overruns would be dealt with by holding over non-essential sections of the highway until the next phase of World Bank and ADB-funded Highway One projects. Both banks are conducting preliminary studies of stretches of the road that do not fall within the current loan schemes, notably from Vinh to Nha Trang.

Vietnam had not yet started resettling the millions of people affected and was "still surveying", said Mr Thuy. "But it must be done before January." One of the components of the World Bank loan is assistance towards relocation.

Highway One is the first of several infrastructure projects planned for the country, whose 10,000km of roads have suffered from war damage and neglect. The World Bank estimates that Vietnam will need $7bn-$10bn by the year 2000 for comprehensive repairs to infrastructure and recommends that at least $2.2bn be allocated to transport.

Highway 1: revitalising the main artery



World Investment Report assesses multinationals' impact on jobs

Global business a fact of life

By Frances Williams in Geneva

INFLOWS AND OUTFLOWS OF FOREIGN DIRECT INVESTMENT, 1981-1993 ($bn)

Country	1981-1985 Annual average	1986-1990 Annual average	1988	1989	1990	1991	1992	1993
Developed countries								
Inflows	37	130	131	168	176	121	102	109
Outflows	47	163	162	212	222	185	162	181
Developing countries								
Inflows	13	25	28	27	31	39	51	80
Outflows	1	6	6	10	10	7	9	14

Source: UNCTAD

Governments and trade unions must accept the increasing globalisation of the world economy as a fact of life – and they must devise new ways of responding to the growing power of multinationals. This is the message of the United Nations Conference on Trade and Development (Unctad) in its fourth World Investment Report, published today.

But in a generally positive assessment of the role of multinationals in employment, the report absolves them of claims by trade unions and some governments that they rob rich countries of jobs in seeking to base production wherever labour costs are lowest.

Multinationals employ directly about 73m people, representing nearly 10 per cent of paid non-farm jobs worldwide and close to 20 per cent in the industrialised countries.

Unctad estimates that indirect employment may be at least as much again. This would bring the total number of jobs associated with multinationals to 150m or more.

The US sports shoe manufacturer Nike, for example, employs 9,000 people but nearly 75,000 work for its independent sub-contractors around the globe.

Despite the huge increase in foreign direct investment (FDI) flows over the past decade, employment in multinationals has not followed suit. The modest 8m increase in jobs since 1985 has been entirely concentrated in foreign affiliates, which now employ 29m people. In developing countries multinationals increased their workforce by 5m to 12m over the period.

Much of the employment increase in developing countries has been in east and south-east Asia, especially China, and in export processing zones. Still, "the job-relocation effect of FDI is very limited", Unctad maintains, pointing out that the number of jobs lost to Third World nations is tiny compared with the total labour force in the industrialised countries.

It adds that the bulk of FDI is determined not by labour cost differentials (which may in any event be offset by productivity differences) but by the search for natural resources and for markets.

Many of these markets, including those for services, require local production.

Multinationals can in fact be a force making for higher labour standards in poor countries, according to Unctad.

The workforce directly employed by foreign affiliates "typically – but not always – enjoys better wages, conditions of work and social security benefits" compared with prevailing domestic levels.

Multinationals can also help workers, especially those in developing countries, to acquire better skills to the benefit of the host economy as a whole.

On the downside, Unctad acknowledges that competition between countries to attract foreign investment may tempt governments to cut social and labour standards – especially trade union rights – in the hope of securing extra jobs.

But it says multinationals are increasingly looking for an educated, skilled and committed workforce, combined with a social and physical infrastructure capable of generating high productivity.

At the same time, the report displays misgivings that international corporations are able to exercise growing economic influence largely unchecked by governments or trade unions.

Though multinationals normally recognise unions and often appear to have a higher rate of unionisation than domestic companies, trade unions are ill equipped to deal with employers operating on a global basis and their problems are exacerbated if governments see unions as a deterrent to foreign investors.

Unctad notes the revived interest by unions in international regulations or guidelines for multinationals, especially rules that would tie adoption of minimum labour standards (including free trade unions) to trade. The European works councils proposed by the European Union represent another type of response.

However, the report says the need for companies constantly to "reinvent" themselves – which puts a rising premium on committed, flexible workforces – paves the way for the development of "new forms of co-operation" between multinationals and trade unions, at workplace as well as international level.

World Investment Report 1994: Transnational corporations, employment and the workplace (Sales No. E.94.II.A.14). Available from UN Sales Section, Palais des Nations, CH-1211 Geneva 10, fax +41 22 907 0027, or UN Publications, UN Plaza, 10017 New York, fax +1 212 963 3062. $45

THE TOP 20 TRANSNATIONAL CORPORATIONS RANKED BY FOREIGN ASSETS, 1992

Rank/Corporation	Country	Industry	Foreign assets (Billions of $)	Total assets (Billions of $)	Foreign sales (Billions of $)	Total sales (Billions of $)	Foreign employment (Employees 000s)	Total employment (Employees 000s)
1 Royal Dutch/Shell	UK/Netherlands	Petroleum refining	69.4	100.8	45.5	96.6	91.0	127.0
2 Exxon	United States	Petroleum refining	48.2	85.0	93.1	115.7	59.0	95.0
3 IBM	United States	Computers	45.7	86.7	39.9	64.5	143.9	301.5
4 General Motors	United States	Motor vehicles and parts	41.8	191.0	42.3	132.4	272.0	750.0
5 Hitachi	Japan	Electronics		66.6	13.9	58.4		324.2
6 Matsushita Electric	Japan	Electronics		74.4	29.9	60.8	94.8	252.1
7 Nestle	Switzerland	Food	28.7	31.3	37.7	38.4	211.3	218.0
8 Ford	United States	Automobiles	28.0	180.5	33.2	100.1	167.0	325.3
9 Alcatel Alsthom	France	Electronics		44.4	18.0	30.7	108.3	203.0
10 General Electric	United States	Electronics	24.2	192.9	8.4	57.1	58.0	231.0
11 Philips Electronics	Netherlands	Electronics	22.9	28.6	31.0	33.3	225.8	257.7
12 Mobil	United States	Petroleum refining	22.6	40.6	49.7	64.1	28.2	63.7
13 Asea Brown Boveri	Switzerland	Electronics, elec. equipment	22.4	25.9	26.3	29.8	198.8	213.4
14 Elf Aquitaine	France	Petroleum refining		45.1	13.2	36.2		87.9
15 Volkswagen	Germany	Motor vehicles and parts		46.6	29.4	54.7	109.0	273.0
16 Toyota Motor Co	Japan	Motor vehicles and parts	20.7	76.7	22.0	81.3	16.3	108.2
17 Siemens	Germany	Electronics		44.6	27.0	50.3	160.0	413.0
18 Daimler-Benz	Germany	Transport, communication		52.5	35.8	63.1	74.0	376.5
19 British Petroleum	United Kingdom	Petroleum refining		31.5	34.0	58.6	71.7	97.7
20 Unilever	UK/Netherlands	Food	19.4	24.2	35.0	43.7	247.9	283.2

Source: UNCTAD

Markets freed to attract investors

By Frances Williams

Market liberalisation to attract foreign investors is the most important policy trend of the 1990s for international investment. But the greater freedom this gives multinationals needs to be matched by the assumption of greater social responsibilities, according to the World Investment Report.

The completion of the Uruguay Round of global talks, the North American Free Trade Agreement and the single European market, not to mention increasing numbers of bilateral investment treaties – 84 in 1993, have reinforced national policies of boosting foreign direct investment (FDI), the report says.

However, while government approaches to FDI have converged, the process has been far from homogenous. The report warns that as a result foreign investors may focus on the differences in FDI regimes increasing the scope for "policy competition" between governments.

Unctad identifies three main elements of liberalisation of FDI policies:

- the tempering or removal of restrictions on foreign investors, for instance relating to ownership or performance of foreign subsidiaries;
- the establishment of standards for the treatment of foreign investors, notably by according them "national treatment" on a par with domestic companies and by strengthening legal protection
- the introduction of regulations aimed at improving market efficiency and promoting broader economic and social concerns. These include competition rules, prudential supervision of banking and financial services, intellectual property protection, consumer health and environmental standards and so on.

The report notes growing support for a system of international rules governing the activities of multinationals. The OECD is now working on a new multilateral investment agreement and there are also proposals to negotiate international investment rules within the planned World Trade Organisation.

US may ease rules for Cuba

By James Harding in Washington

The US administration is considering relaxing immigration rules to allow more legal Cuban immigrants, in return for a commitment from the Castro government to halt the refugee exodus.

The US proposal could be put to Cuban government representatives at migration talks to be held in New York tomorrow.

The US is ruling out discussion of general issues at the talks, despite Cuban President Fidel Castro's calls for broader discussions, including consideration of lifting the trade embargo against Cuba.

But the Clinton administration has made it clear that a future meeting on the broader issues of US Cuba relations will depend on a demonstration of goodwill by Cuba at the migration talks.

Mr Michael McCurry, US State Department spokesman said the US intends "to solely focus. . . on the question of legal, safe and orderly migration from Cuba", but acknowledged that the Cubans "believe that there are other issues that may be pertinent to this discussion, so we expect that they may bring those up".

The US offers visas for legal entry to more than 20,000 Cubans each year, but residence visas were granted to fewer than 3 000 Cubans last year. Ms Janet Reno, US attorney general, has repeatedly called on Cubans to pursue legal avenues of immigration and desist from attempting to flee Cuba by boat. Last week Mr Castro claimed the failure to grant more visas had helped encourage the flood of people leaving by sea.

The plans to bend immigration rules could include a proposal to grant entry to relatives (including cousins who normally do not qualify) of Cuban-Americans and to offer refugee status to some Cubans even if they do not meet the strict criteria.

Ms Reno's office was reported to be thinking of using emergency powers under immigration laws to raise the number of Cubans admitted to the legal ceiling. This could involve allowing some of the 19,700 Cubans waiting for visas, some of them for as long as 10 years, to jump the queue and be granted admission this year.

The number of Cubans attempting to cross the Straits of Florida in makeshift rafts and boats has dropped over the last few days but has not stopped. After bad weather at the weekend which deterred people from leaving, the Coast Guard reported it had picked up 295 people on Monday.

Janet Reno: may use emergency powers to let in more Cubans legally if Castro agrees to halt the illegal refugee exodus

Chile targets education as spending priority

By David Pilling in Santiago

Chile is to make education its main spending priority over the next six years as part of its strategy to "cross the threshold" into the league of developed nations, Mr Eduardo Aninat, finance minister, announced.

However, overall spending would henceforth increase at below the rate of economic growth in a move aimed at tightening the fiscal policy inherited from the previous administration. Business groups have frequently argued that a policy of pitching spending increases at above the level of growth was hindering the battle against inflation, stuck at a rate of around 12 per cent.

The government had to "prioritise" spending and show "responsibility and discipline," Mr Aninat said in a presidential-style address broadcast on Monday night. "We cannot satisfy all demands at once, however legitimate they may be."

Greater spending on education would mean sacrifices elsewhere, although Mr Aninat did not specify where these would come. Some savings could be made by encouraging private-sector participation in infrastructure.

Spending on education would be raised gradually until it reached 7 per cent of gross domestic product, a level comparable with that of Germany and the UK. The government currently spends 5 per cent of GDP on an education system generally believed to have stagnated over the past three decades.

Mr Aninat said creating a modern, properly funded education system was "a national task of the highest order". Providing equal educational opportunities was the best way of helping Chile's 4m poor to escape from their present circumstances. President Eduardo Frei has pledged to eradicate extreme poverty – which affects about 1m of the 13m population – by the year 2000.

In order to steer the economy away from dependence on commodities and to launch the "second phase" of development with greater emphasis on value-added goods, Chile would need a well trained, adaptable and mobile workforce, Mr Aninat said. Only thus could workers in uncompetitive industries be retrained and relocated in more dynamic sectors.

Productivity must be raised by 3.5 per cent a year to achieve desired growth rates of above 5.5 per cent. Such productivity gains were higher than Chile's historical norms but in line with rates recorded in the past few years.

Mr Aninat set out targets for the year 2000, including doubling experts to \$20bn (£12.9bn) and the creation of 500,000 jobs. Modernisation must be funded mainly with domestic savings and not foreign debt, he said.

Given 5.5 per cent growth over the next six years, per capita income would increase by nearly half to \$4,700, he said – a realistic aim given average growth rates of 6 per cent over the past decade.

"In terms of purchasing power, reaching this level of income would mean attaining a standard of living just 5 per cent behind that enjoyed by Spain today," Mr Aninat said. "We are not prepared to let this opportunity slip by."

● Chile recalled its ambassador to Peru "for consultations" on Monday after Peruvian President Alberto Fujimori withdrew a border treaty between the two nations from congressional consideration, Reuter reports from Santiago. The treaty was meant to settle disputes left over from a 1929 agreement on the coastal border.

Polls point to Parti Québecois victory

By Robert Gibbens in Montreal

Quebec's Liberal premier, Mr Daniel Johnson, won on points in Monday night's televised debate with Mr Jacques Parizeau, leader of the separatist Parti Québecois, but failed to score the knock-out blow needed for election victory.

The PQ's lead in the opinion polls has been narrowed significantly in several weeks of campaigning by Mr Johnson, who is more popular than Mr Parizeau. But Monday's lengthy and technical debate, on which the Liberals were resting great hopes, did little to further shift voter sentiment.

Recent opinion polls give the PQ a lead of between four and seven points, ahead of Quebec's September 12 election. The staunchly federalist Liberals need to pick up about 10 points in the polls to win a majority in the 125-seat National Assembly.

Among French speaking voters, the PQ leads by 20 points, and Francophones make up 80 per cent of Quebec's 7m population.

However, polls suggest that around 27 per cent of voters are undecided.

Consumer confidence off peak in US

By James Harding

Consumer confidence in the US dropped slightly in July and August after a previous four-year high, according to the Conference Board's Consumer Confidence Index issued yesterday.

The monthly index, produced by the New York-based business research group, registered 89.0 in August, down from 91.3 in July and 92.5 in June.

The survey, based on a sample of 5,000 households, shows consumers are less positive in their assessment of prevailing economic conditions and less optimistic in their expectations for the month ahead.

The index, which is widely viewed as one of the better barometers of consumer spending, reinforces the impression given by recent Commerce Department figures that the pace of economic growth is slowing.

The number of respondents who reported in August that business conditions were "good" had decreased slightly and there was a drop in the number of people who said jobs were "plentiful".

However, the survey also noted the numbers saying conditions were "bad" dropped marginally.

There was only a small change in predictions for the economy. The proportion of households expecting the economy to improve was down slightly, but optimists outnumbered pessimists by two to one.

Mr Fabien Linden, executive director of the Conference Board's consumer research centre, was not too disheartened by the results. Although confidence was lower than a month earlier, "the present level of confidence has been associated with a reasonably strong economy during the 27-year history of the survey," he said.

● New home sales surged 8.3 per cent in July rebounding from a revised 11.4 per cent decline in June, the US Commerce Department announced yesterday. The rise was in line with many analysts' expectations.

The Commerce Department also noted that sales of new homes during the first seven months of 1994 were 6.6 per cent above the same period last year. The median price of a new home declined to \$123,000, down 6.1 per cent from \$131,000 in June.

Impact of interest rate changes 'weaker'

By Richard Waters in New York

The ability of US policymakers to influence economic growth through changes in short-term interest rates has probably been weakened by the growth of the mortgage-backed bonds market, according to a study released by the Federal Reserve Bank of New York.

The study, by three Fed economists, says that traders and investors in this \$1,350bn (£870bn) market helped transmit increases in short-term rates, engineered by the Fed, into higher long-term bond yields. Past rate-rises by the Fed have led to only small increases in long-term rates, since they reduce the risk of inflation, one of the biggest factors affecting the bond markets, according to the three.

The study appears to confirm anecdotal reports from bond traders in recent months that a back-wash from the mortgage-backed bonds market helped to drive down the price (and hence increase the yield) of US government bonds this spring.

As US interest rates rise, pushing up the cost of new home mortgages, homeowners have less incentive to pay off their old mortgages early. As a result, the lives of the pools of home mortgages that support mortgage-backed bonds is extended, stretching the duration of the bonds. To counter this, traders and investors sell long-dated Treasuries, or government bonds, to reduce the duration of their bond portfolios, in turn driving down the price of Treasuries.

As evidence of this effect, the Fed economists point to a sharp decline in the difference between 10-year and 30-year bond yields, from 60 basis points (hundredths of a percentage point) in February to 20 basis points in early May. This reflects the use of ten-year bonds to hedge changes in the mortgage-backed market, they say.

The evidence of recent months suggests that "the transmission of monetary policy from short-term interest rates to the real economy, via long-term interest rates, has probably changed," the report concludes.

Mortgage Security Hedging and the Yield Curve, Research Paper 9411, Research Function, New York Fed, New York, NY, 10045.

Legalised gambling nears in New England

By Victoria Griffiths in Boston

New England moved a step closer to legalised gambling this week, with the signing by Governor Bruce Sundlun of Rhode Island of a deal to allow the Narragansett Indian tribe to build a Las Vegas-style casino in the state.

Last week, Governor William Weld of Massachusetts completed a similar agreement with the Wampanoag tribe.

Gambling is currently illegal in every New England state except Connecticut. Because the tribes are sovereign nations, they are not governed by the same laws as US corporations. But companies might gain access to the states by claiming unfair competition.

The Narragansetts will run the casino with Capital Gaming International, and Rhode Island expects to earn about \$53m (£34.1m) a year from the casino. The Wampanoags intend to go into business with Carnival Hotels and Casinos, with Massachusetts standing to receive about \$105m annually. The Narragansett and Wampanoag deals must now receive federal approval before moving to a vote in the state legislatures.

هكذا في الأصل

Proceeds of Coal sale under threat

By Michael Smith

The British government faces a potential fall in proceeds from selling British Coal following an increase of more than £160m in claims against the corporation from opencast contractors.

Some of the prospective bidders for the corporation's five regions say they will have to revise downwards their proposed tenders to take account of the claims, which can arise if unexpected obstacles are encountered.

Prospective bidders will be expected to meet at least some of the claims if they win their bids.

Under opencast payment procedures, contractors put in a bid to British Coal, which owns the coal, on how much they will charge to mine a site. Stiff competition has forced down the tender prices in recent years. However, the contractors can increase their earnings if they successfully claim for unforeseen circumstances such as geological difficulties.

There is concern that some of the claims, up from £76m three months ago to £242m, are from companies that are both opencast mining contractors to British Coal and prospective bidders for the corporation.

Rivals say they are being put at a disadvantage because they cannot assess as accurately as the claimants how much of the £242m , which is unusually high, is likely to have to be paid.

Significant fluctuations in total claims are unusual. The £76m is considered within the industry to be nearer the norm than the £242m.

Most of the new claims have been made in Scotland, where the total is £129m, against £25m three months ago.

Claims in south Wales are £76m (£25m three months ago), the north-east of England £25.6m (£21m) and the central north and central south regions a combined £12.5m (£5m).

If all the claims were to be paid, the government might have to pay bidders to take some regions off its hands. "The Scotland region is worth considerably less than £129m," one bidder said.

However, some of the claims are likely to be met by British Coal before the regions are handed over to the successful bidders in December. British Coal usually pays less than the amount claimed, but all bidders have access to records showing the normal proportion paid.

The claimants are privately defending the increases on the ground that they are bound to flag up all the potential difficulties that may arise at the sites being mined before ownership changes.

Bidders for the five regional packages must put in their tenders by September 14.

An announcement on preferred candidates is expected either later in the month or in October to enable ownership to be transferred on December 24.

Vauxhall set to close UK component arm

By Kevin Done,
Motor Industry Correspondent

Vauxhall, the UK subsidiary of General Motors of the US, is planning to close a component operation at its car assembly plant at Luton, Bedfordshire.

It claims the 300-strong workforce would have to accept a 50 per cent cut in wages to make the unit competitive with outside suppliers.

Vauxhall has warned the unions that any industrial action over the closure could jeopardise its £12.5m plan to increase car assembly capacity by 25 per cent at the Luton plant.

There would be no compulsory redundancies among the 300 workers in the soft trim unit, which cuts and sews seat covers, said the company.

Most European volume carmakers had already given up in-house "cut and sew" soft trim operations because of the lower costs of specialist producers, said the company.

Vauxhall planned to close the operation from July 1995, when production begins at the Luton plant of the next generation Vauxhall Cavalier/Opel Vectra. GM is investing around £130m to modernise and automate the plant in preparation for the model change-over and is planning to increase capacity by around 25 per cent by the end of 1995 to 60 cars an hour or around 215,000 a year from the present level of close to 48 cars an hour.

Vauxhall has been the most profitable carmaker in the UK during the recession, and the Luton plant is GM's lowest-cost assembly facility in Europe for production of the Vectra/Cavalier, ahead of plants in Belgium and Germany.

● Rover, the leading UK carmaker, increased its vehicle production by 20.8 per cent year-on-year in the first six months according to figures released by the Society of Motor Manufacturers and Traders.

Overall UK car output rose by 1.2 per cent in the first half to 751,717 from 742,969 in the same period a year ago, but the SMMT forecasts, that growth in production will accelerate in the second half of the year.

Higher output by Rover, a subsidiary of BMW of Germany, together with the build-up of production by Toyota and Honda at their UK assembly plants, helped to offset declines at Ford, Vauxhall and Peugeot and a sharp fall in production at Nissan.

Last-minute Swans plan

By Chris Tighe

The French company hoping to take over Swan Hunter, the Tyneside shipbuilder in receivership, yesterday came up with a last-minute proposal for its conditional purchase of the company.

Soffia/Constructions Mecaniques de Normandie said it believed its new offer, under which it would immediately begin paying Swans' design staff to enable the company to tender for new work, would provide a way forward in securing the future of the yard.

But joint receiver Mr Gordon Horsfield of Price Waterhouse described the latest proposal as disappointing, and said it appeared markedly less attractive not only for the receiver, but for the remaining 660 employees, for whom continuity of employment might not be available.

Under the new offer, he said, there appeared to be little job security for the overwhelming majority of the workforce.

It was also further below Swans' £7.2m break-up value: CMN had taken the opportunity to reduce its offer both financially and qualitatively.

To allow time to consider the revised offer, Price Waterhouse has lifted its deadline of today for the dismissal of Swans' 100 strong design and technical team. A new deadline of September 9 has been imposed, in the hope negotiations will bring an improvement, but Mr Horsfield warned; "I certainly feel we are reaching the end of the line with Soffia/CMN".

He said the receivers would be talking to other parties who had expressed an interest in Swans. It was possible one might make a "late run" but he added; "I wouldn't want anybody to build a lot of false hopes on that."

The new offer came after deadlock with the MoD torpedoed CMN's previous proposal to take on Swans' existing frigates contract and sub-contract the work to the receiver, using the balance of moneys to pay the design team's wage bill until the end of 1994.

Record label ban upheld

By Motoko Rich

A music company was yesterday denied its attempt in the UK High Court to release its records from an alleged monopoly of distribution outside the US.

American Recordings, the US recording label formerly known as Def American, had sought an injunction to overturn a ban imposed by the Mechanical Copyright Protection Society on sales of its albums in the UK.

The ban was enacted on behalf of Phonogram, the UK unit of PolyGram, the music and film group in which Philips of the Netherlands has a majority stake.

Phonogram claimed American had violated a joint-venture agreement in which it was named as sole distributor for American's artists outside the US.

Earlier this month Phonogram dropped a case against American in the UK and instead launched a claim for punitive damages in the California courts. The US action also seeks to restrain American from entering into a distribution agreement with any other company until the dispute is resolved.

The Phonogram action is a countersuit to a $14m (£9m) case brought by American. It has said that Phonogram did not abide by the agreement and that the company did not promote its artists as agreed, file tax returns, pay royalties, or set up office space.

American filed the application against the ban in the UK because it believes it is no longer bound by the agreement and should be allowed to distribute outside the US.

Mr Justice Evans-Lombe ruled that without proceedings against American in the UK there were no grounds for lifting the ban until the dispute was settled.

Britain in brief

UK gas price formula put in place

One of the main planks of the planned liberalisation of Britain's domestic gas market was put in place yesterday with the announcement of a new pricing formula for British Gas' national pipeline system, the centrepiece of the company's operations.

The price cap and rate of return announced by Ofgas, the regulator, is an important element of the government's plan to introduce competition into the domestic market beginning in 1996, because transportation costs account for about half of the final price of gas to consumers.

The formula will govern the prices TransCo, the new name for British Gas' transport and gas storage business, can charge users of the national gas grid. These include the trading arm of British Gas and the growing number of independent gas marketers.

Ms Clare Spottiswoode, Ofgas director-general, said future price increases by TransCo would be limited by a formula based on the retail price index minus 5 percentage points. It will take effect in October and run until 1997. The starting price level of 14.16p per therm will also take effect on October 1.

Ms Spottiswoode said RPI-minus-5 was a "demanding but fair target for British Gas".

Milk Marque offers price deal

Milk Marque, the UK farmers' co-operative which is to succeed the Milk Marketing Board, yesterday offered dairy manufacturers an option which it said could save 0.4p on the price of a litre until October next year.

Mr Andrew Dare, Milk Marque chief executive, said this "should remove any need to increase the price of a pinta in real terms during the next year". The move was seen as an attempt to limit the row over prices which dairy manufacturers say will rise following deregulation of the market in November.

However Mr Jim McMichael Phillips, president of the Dairy Trade Federation, said the price change was a cosmetic exercise which emphasised the power of a monopoly.

Challenge over private prisons

A United Nations committee is to be asked to consider whether Britain's development of privately managed prisons contravenes international law.

The Howard League for Penal Reform has submitted a document to the UN Sub-Commission on Prevention of Discrimination and Protection of Minorities, alleging financial and humanitarian failures in Britain's commercially managed prisons. It complains of poor regimes for inmates, financial profligacy, obsessive secrecy, suicides and disturbances.

Ms Frances Crook, Howard League director, said yesterday that the government had failed to develop a coherent penal policy and was trying to conceal this by "handing over prisoners to commercial companies" whose main motive was financial gain. "The League considers commercial prisons to be immoral, impracticable, and contrary to international law."

Privately run prisons have, however, been established in other countries – notably the US – for some years. US private prison operators have been part of groups bidding to manage prisons in the UK.

Britain currently has three privately managed prisons and the contract to run a fourth was awarded last month.

Heating tax to 'help green aim'

The British government's decision to impose value added tax on domestic heating bills and to make annual increases in road fuel duties will help it to meet its target for cutting emissions of greenhouse gases, according to a report by the Institute for Fiscal Studies.

Today's report says the two measures will "... make a substantial contribution to reducing UK emissions of carbon dioxide." It also predicts that the government's target for stabilising carbon dioxide emissions at 1990 levels by the year 2000 will be "comfortably achieved," largely due to fiscal measures.

Mr John Major, the prime minister, committed the UK to freezing carbon dioxide emissions at 1990 levels by the year 2000 when he attended the Rio Earth summit in 1992.

The report notes, however, that a carbon tax, such as that proposed by the European Commission, would be more effective at reducing harmful atmospheric emissions. It describes the imposition of VAT on home heating bills as a "one-off measure", which is unlikely to have much impact on the "underlying long-term growth of carbon dioxide emissions from households."

Rail network at half-capacity

Britain's railway managers kept as much as 47 per cent of the network open for part of yesterday, as signal workers began their third 48-hour stoppage in their 12-week dispute over pay.

The proportion of the network kept open was the best achieved by Railtrack, the state-owned rail infrastructure company, on any strike day, though the proportion of trains which ran – 45 per cent – was about the same as in last week's disruption.

The latest stoppage is due to run until noon tomorrow, to be followed by a 24-hour stoppage next Friday – the last day of the Trades Union Congress in Blackpool.

Roads 'fail to boost growth'

Building new trunk roads does nothing to improve the economic performance of towns and cities, says a report by Greenpeace, the environmental group.

The report, by Mr John Whitelegg of environmental consultants Eco-Logica, analysed jobs created in 34 towns and cities in England and Wales between 1985 and 1992. It found no relationship *between job opportunities in* these areas and their distance from trunk roads.

NEWS: UK

IRA ceasefire may trigger financial aid package for Northern Ireland

US poised to back peace move

By George Graham in Washington

White House officials are "at fever pitch" over the improving prospects of peace in Northern Ireland, Washington officials say, and are ready to offer money to back up any peace agreement.

After last week's visit to Ireland by a US delegation, headed by Mr Bruce Morrison, a former member of congress, hopes have risen in Washington that the Irish Republican Army might be ready to declare a ceasefire.

In Martha's Vineyard, where President Bill Clinton is on holiday, White House press secretary Ms Dee Dee Myers confirmed that the US was ready to offer more financial aid to help achieve peace. She said, however, that no decision would be made until the US had seen details.

The State Department also confirmed yesterday that it had granted visas to a delegation from Sinn Féin to come to Washington. The group will include Mr Joe Cahill, a veteran of the Irish republican movement.

President Bill Clinton's decision to grant a visa in February to Mr Gerry Adams, the Sinn Féin president – against the advice of the State Department and the urgings of the British government – provoked a short-lived political storm.

But White House officials were disappointed by Mr Adams's failure to seize the opportunity to renounce violence. They have appeared reluctant to make any further exceptions to normal rules against granting visas to people associated with terrorist groups unless there were more signs of progress to peace.

Congressional aides said any request for more money to accompany a peace agreement would probably receive considerable support, but that no specific package was yet circulating for discussion.

The US currently gives $20m a year to the International Fund for Ireland, jointly administered by the UK and Ireland. Although some members of Congress criticise the appropriation each year, on the grounds that the Fund seems less deserving than some third world countries whose aid has been cut, no substantial opposition is expected, even for a much larger sum, if there seems a real prospect of peace.

Mr Morrison and his mission emphasised that they were not official representatives of Mr Clinton - who during his election campaign had promised to appoint an envoy to Ulster.

"I'm just a private citizen. I do have close links with the White House, but I'm acting in a private capacity," Mr Morrison said last week.

Nevertheless, the group has been expected to report to the White House on its talks with Sinn Féin and other parties in the province.

Many answers to Ulster question

David Owen looks at the options open for any political progress

The question on everyone's lips in London yesterday was not whether there would be an IRA ceasefire but whether it would be permanent.

As speculation that an announcement was imminent reached fever-pitch, Downing Street drummed out the message that it has stuck to consistently since last December's Downing Street Declaration – that only a permanent end to violence was good enough.

But there was no denying that even a temporary ceasefire would subject all parties in the conflict to intense new pressures.

If the cessation of IRA violence is permanent, London has promised that it would be ready to enter into "preliminary exploratory dialogue" with Sinn Féin, the IRA's political wing, within three months.

In a letter to Mr Gerry Adams, the Sinn Féin president, in April, Downing Street explained that this dialogue would have the following three purposes:

- to explore the basis on which Sinn Féin would be admitted to an "inclusive political talks process" without anticipating the negotiations within that process;
- to exchange views on how Sinn Féin would be able in time to play the same part as the current constitutional parties in Ulster's public life;
- to examine the practical consequences of ending violence.

What is not clear is the attitude London would take to the highly sensitive subject of handing in weapons. Downing Street said yesterday it would expect "the law of the land" to be observed, apparently leaving the door open for paramilitaries with firearms licences to keep their weapons.

Also unclear are the questions of the treatment of IRA prisoners and the extent to which the army would be withdrawn from Ulster's streets.

Until loyalist paramilitaries abandon their armed campaign, the need for a significant security force presence on the streets will remain, although it is reasonable to expect this to be reoriented towards countering the loyalist threat.

Work would meanwhile continue on the joint framework document London and Dublin expect to inject fresh impetus into political talks. Optimists think this could be completed as soon as next month.

A permanent end to IRA violence would also be expected rapidly to earn Sinn Féin an invitation to Mr Reynolds's pet project, the Forum for Peace and Reconciliation, referred to specifically in the joint declaration. The Forum's aim would be to make recommendations on ways in which agreement and trust between both traditions in Ireland can be promoted and established.

If the IRA declared a ceasefire which was not permanent, it would, on the face of it, fall short of London and Dublin's demands and be insufficient to break the current stalemate.

Realistically, however, it would put both governments under immense pressure to respond with conciliatory gestures aimed at convincing republican leaders to make the ceasefire permanent.

The longer the ceasefire lasted – perhaps accompanied by a second high-profile visit to the United States by Mr Adams – the more these pressures would grow and the harder it would become for the two governments to maintain a united front.

Under such circumstances, the attitude of the US government could have a crucial bearing on whether London and Dublin ultimately decide to deviate from their hard line.

It is not clear whether the Clinton administration shares the view voiced by Mr Bruce Morrison, the former congressman, that if a substantial step is taken by the IRA which falls short of the governments' demands it should not be dismissed out of hand.

If it does, it will be difficult for London to resist pressure for concessions, notwithstanding the howls of outrage from unionists and some Tory backbenchers that such a move would provoke.

But the declaration of a non-permanent ceasefire would put republican leaders under pressure too, since it is far from clear how patient IRA hawks would be if a significant period elapsed without government concessions.

The Sinn Féin leadership is well aware that one of the legacies of the indefinite ceasefire declared in 1975 was a murderous feud between the official IRA and the provisionals which weakened the movement for years afterwards.

With the diligence and determination of the latest UK-Irish initiative having served to expose the IRA's isolation, republican leaders know that if another split is provoked, there will be no comebacks.

MANAGEMENT

Robert Taylor finds some unions' experience of human resource management is at odds with the hostile rhetoric

TUC tackles a 'slippery' idea

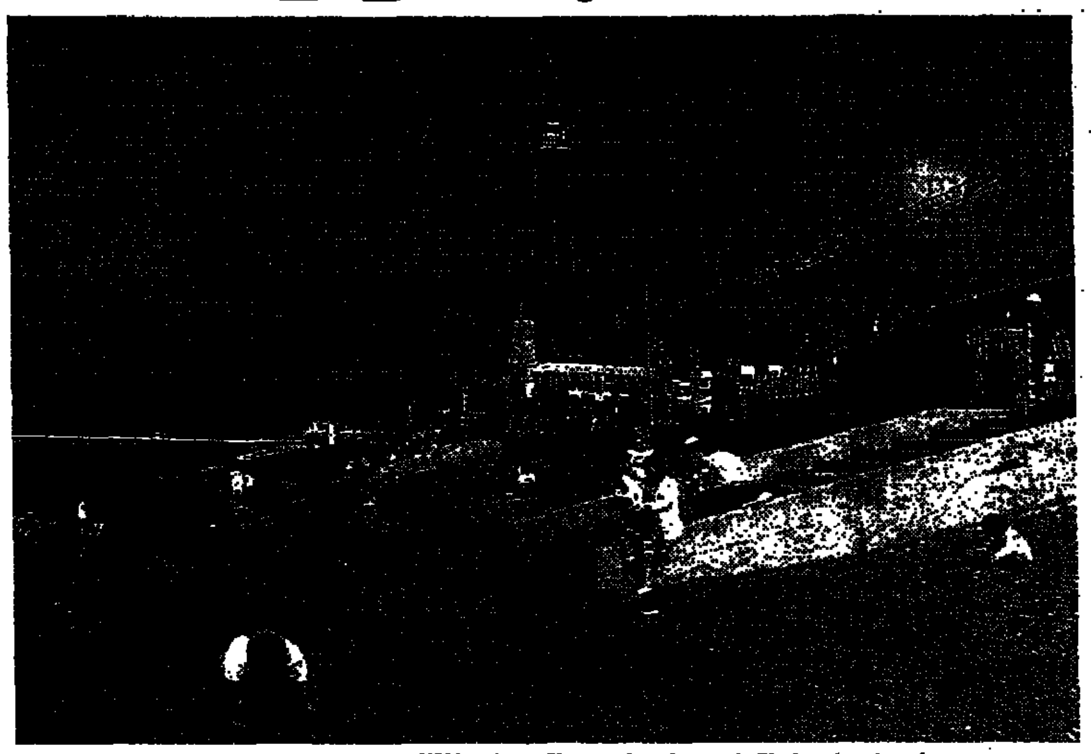
To some people, human resource management is just a grandiose American term for personnel management. To others, it is a significant departure. The second camp falls into two categories: those for whom the current fashion for HRM represents a belated rush towards enlightened management, and those who see it as the cold manipulation of people as a resource to be managed like any other.

Britain's trade union movement is belatedly just taking its first serious and comprehensive look at the subject. Delegates at next week's Trades Union Congress in Blackpool will debate a lengthy policy document that the TUC has just produced*.

HRM appears to fill the TUC with suspicion, if not downright hostility. In the words of the new report, "it is a slippery concept that means different things to different people".

As the TUC says, in business school theory HRM is primarily about making the best use of the skills of employees and placing the management of "human resources" at the centre of business planning. As the report puts it, "on this definition HRM may be associated with a range of techniques involving changes in the methods used to communicate with workers, the organisation of the workplace and payment systems".

The main ingredients of HRM, as the TUC sees it, include teamworking, quality circles, single status, lean production and just in time manufacture, customer care training as well as performance-related pay, profit sharing and share options. In essence, the report believes that the HRM focus is "on the individual rather than the collective body of workers".



Sifting the arguments: union leaders will debate HRM at the TUC's annual conference in Blackpool next week

This differs sharply from traditional personnel management, in the TUC's view. David Coates, the author of the TUC report, argues that HRM "is concerned with building a new workplace culture. Personnel management was less comprehensive and not integrated into the production process".

From the experience of its affiliate unions, the TUC believes that "the theory of HRM bears little relationship to the practice".

"The language of HRM has been so abused by employers that the term may have outlived its usefulness," the report declares. "The question now is better posed in terms of how trade unions should engage with management change and use that process to improve the working lives of our members."

What particularly concerns the *TUC is its conviction* that HRM "rhetoric has often been used to conceal a deliberate anti-union policy". In the minds of many union leaders, HRM is associated with trade union derecognition in the workplace by employers, and a resulting loss of union influence. But at the same time the TUC accepts it cannot simply resist blindly what is happening in the workplace. It agrees that unions must "use the process of change to deliver on trade union objectives". Part of the trouble lies in a question of definitions. The TUC seeks to distinguish between what it calls "good" and "bad" HRM.

The former is concerned apparently with a corporate strategy to "build a world-class workplace". As the TUC argues: "The employer would be seeking to improve performance by developing employee commitment. This would in turn entail an extension of consultation with recognised trade unions, long-term investment in training and a genuine attempt to develop social partnership."

The TUC believes there are two "bad" kinds of HRM. The first is "the piecemeal, ad hoc, unsystematic attempt to select items from the HRM menu in the hope that this will improve the company's performance". The second involves an emphasis on individualising the employment relationship that conceals a "vigorous anti-union policy".

'In reality companies will introduce these techniques regardless of our opposition'

The TUC says many trade unionists believe that HRM is "nothing more than implementing redundancies, casualising the workforce, reducing wages and reasserting management's right to manage".

In written evidence to the TUC on their experience of HRM, a number of trade unions emphasised that while they may not like it, they have had to respond pragmatically. "Our view is that while HRM may be undesirable, the facts have to be faced," explained Terry Lane, the deputy general secretary of the Engineers' and Managers' Association. "HRM techniques are being put into practice by employers and while they may not yield the results anticipated by their advocates, the trade union roles should be to minimise their detrimental effects. Our experience has been that if we were to try and stand between our members and the prospects of improved rewards, respect and support dwindles. Our members expect us to protect them and take steps as are necessary to minimise any potential losses to them individually."

A more positive and less defensive view came from Bill Jordan, the AEEU engineering union's president. He told the TUC that his union had signed a number of single union agreements with foreign companies like Nissan, Toyota and Sony and that it had found "their approach to HRM gave no reason for complaint".

"Team working, flexibility and multi-skilling have been central to the competitive edge that these companies have established but they have never sought to exploit their workforces by using these techniques," he explained.

Jordan pointed out that quality circles and team-working implied "consultation with the workforce as well as the devolution of power as far as is practicable". He instanced a deal with the Rover group in April 1992 as "the first attempt of a British motor manufacturer to introduce HRM". The AEEU president conceded that some unions have had a negative experience of HRM as a "short cut to the shedding or exploitation of labour". And "sadly, the AEEU has experience of working in these companies as well but this is no reason, in itself, to reject the proper use of HRM," he added.

"In reality companies will introduce these techniques regardless of our opposition," said Jordan. "Let us not leave our shop stewards with the unenviable task of trying to respond to change with no guidance or practical support from their union or from the wider trade union movement".

Other unions are hostile to HRM. The finance union Bifu told the TUC that "the common themes running through most of the HRM techniques that have been introduced are cost control, increased flexibility of resources and attempts to marginalise the union role". Nor was there much sign of enthusiasm for HRM in the evidence to the TUC from the CPSA civil service union. It complained that HRM posed "a serious threat to collective bargaining arrangements".

Despite the criticisms and doubts about HRM, most of Britain's trade unions are anxious to emphasise they want to co-operate with workplace innovation and not resist change. In the TUC's document a number of case studies are highlighted to illustrate this, most notably workplace reforms at Ford in Bridgend, the Inland Revenue, British Telecom, and Lucas Flight Control Systems in Wolverhampton.

The angry words of condemnation to be expected from the rostrum of congress in Blackpool next week on the so-called iniquities of HRM will belie the flexible and pragmatic way in which a growing number of unions are forming partnerships with companies in the introduction of new working practices to make business more competitive. Not for the first time in the trade unions, the gap between rhetoric and practice is enormous.

* *Available from Sept 4. Price £5.*

Equal treatment for gay staff

Victoria Griffith on US companies offering health benefits for partners

The number of US companies offering health insurance benefits to the partners of gay and lesbian employees has snowballed since Lotus, the Boston-based software company, began the practice two years ago.

Richard Jennings, executive director of Hollywood Supports, a gay rights advocacy group, puts the number at almost 200. He says the benefit has become standard in the computer and entertainment sectors, and in academia. Apple Computer and Microsoft were quick to join Lotus. They have been followed by HBO, Warner Brothers, Viacom, Paramount, Harvard University, Yale University, the Massachusetts Institute of Technology and scores of others.

Thirty-five municipalities, including Atlanta, Boston, Seattle, Los Angeles and San Diego, now offer employees the option. In July, Vermont became the first state to do so.

The practice is also affecting the media sector, with the New York Times, the Seattle Times and the Los Angeles Times considering similar benefits. According to gay rights groups, smaller companies are also starting to offer insurance.

Providing health insurance for gay and lesbian partners is gaining ground for several reasons. Most obvious is that companies say it is a good way of attracting and keeping valuable homosexual employees. The incidence of gay and lesbian advocacy groups within companies has also increased the pressure for such benefits. "That was their main complaint," says Randy Massengale, senior manager of diversity at Microsoft. "They felt they were not being treated equally."

The benefits also make it easier for companies to market to gay and lesbian consumers, who have become expert at organising boycotts of products from companies that do not furnish insurance. "The more companies that offer these benefits, the harder it becomes not to do so," says Jennings. "There is a lot of pressure especially on the Fortune 500 and on food and retail groups."

Following suit is proving a surprisingly cheap way for companies to improve relations with the homosexual community. Microsoft says the benefits have inflated its health insurance cost by just 1 per cent, because so few employees take up the offer. Gay rights activists say that is because the domestic partners of homosexuals usually work, and are likely to have coverage through their own job.

Also, the benefits do not receive equal treatment under federal tax laws, which consider health insurance of homosexual partners as taxable income. Other disincentives to accepting the benefits may be reluctance to come out, or a simple desire to keep their private life private. "We find that many employees may be openly gay, but are anxious to keep their home life to themselves," says Evan Wolfson, a senior staff attorney with the Lambda Legal Defence, which has championed gays' health insurance rights in the courts.

Others may be reluctant to sign up because companies often require employees taking advantage of the benefit to register legally as domestic partners. Although homosexuals cannot marry in the US, a number of municipalities offer legal registration, which carries property rights implications.

Most local governments furnishing the benefits have also extended the offer to the unmarried domestic partners of heterosexuals. Their logic is that unmarried heterosexuals who live together should have the same options as homosexual partners. Companies, however, tend to limit the practice to gays and lesbians. "There is always the argument that heterosexuals can legally marry," says Massengale.

By offering the benefit, companies run the risk of backlash. Conservative citizens of Williamson County in Texas tried stop Apple Computer setting up an office there because of the company's accommodation of gay and lesbian employees.

But the county relented when Apple threatened to indeed move elsewhere, and other companies say they have encountered little resistance.

BUSINESS AND THE ENVIRONMENT

Hard plastic waste can now be recycled into gasoline and heavy oil, writes **Emiko Terazono**

Simply take one washing machine

Energy source: Toshiba's plant recovers fuel from chloride-based plastics

If plastics are made from petroleum, why not turn plastic waste back into fuels? For the environmental engineers at Toshiba, the Japanese electronics group, the concept was easier conceived than done.

Many Japanese companies have managed to turn non-chloride plastics, such as polyethylene, into petroleum fuels through heat processing. But breaking down chloride-based hard plastics, such as those used for computers and refrigerators, is more difficult because the process gives off harmful hydrogen chloride gas as a by-product.

The demand for plastic recycling technology has risen in the past few years in Japan with the gradual decline in landfill space for garbage and the rise in industrial waste, of which over 5 per cent is plastics.

Moreover, electronics makers face increasing pressure from the government to dispose of their own products thrown away by consumers. From next March, electronics companies are required to help municipal governments which do not have the capability to dispose of discarded bulk consumer electronics goods such as refrigerators and washing machines.

In 1990, Toshiba initiated a development programme for recycling chloride plastics, which account for 25 per cent of all plastics. Researchers at its environmental technology laboratory, set up a year earlier to answer the government's call for industry's greater involvement in waste disposal, led the technology development.

"It's the same as throwing away an energy source," says Kazuo Suzuki, head of the environmental engineering lab.

After two years of experiment, Toshiba's environmental researchers discovered that adding a high-density alkaline solution when heating the chloride plastics turned the hydrogen chloride into a harmless salt. The solution also removes plastic additives which prevent heat decomposition, increasing the fuel obtained from the heating process.

The new technology can be applied to more than 90 per cent of all plastics, the proportion that decomposes when heated. In addition, small metal parts which are difficult to detach from hard plastics do not need to be removed. Earlier this month, Toshiba's environmental engineers launched a demonstration plant that breaks down the plastics into fuel, salt, soda and carbon dioxide.

Toshiba's development also solves the problem of having to separate chloride and non-chloride plastics. In spite of the previously developed technology, reclaiming fuels from non-chloride plastics had not been practical since many products use both types of plastics and separating the two took time and was costly.

The prototype system produces more than 200 litres of fuel out of 250kg of plastic in 11 hours. After the plastics are decomposed, pressures and temperatures in the combustion chambers can be adjusted to create several kinds of fuel, including heavy oil, kerosine and gasoline.

Toshiba says there has been great interest in its new technology. The company has received inquiries from German and other European companies in plastic moulding and plastic board manufacturing industries.

Aside from the environmental benefits, there are also cost advantages. For example, Toshiba currently pays Y50,000 (£330) to dispose of 1 tonne of industrial waste. Since the company throws away 4,000 to 5,000 tonnes of plastic garbage a year, it could save up to Y250m a year by using the fuel reclaiming technology.

The company expects it to take a year to refine the demonstration plant further into a smaller and more durable device and sell the product commercially. Company officials say the price of a plant that can dispose of 5 tonnes of plastics will be around Y500m.

Toshiba says it will use the reclaimed fuel in its plants, and will also sell it to its chemical manufacturing affiliates. The company believes its system will be appropriate for medical equipment makers and hospitals, which use large amounts of chloride plastics. Disposable plastic medical equipment used in the company's in-house high-technology hospital will also be turned into fuels.

Damned by ecologists: one of two structures on the Elwah river that will soon be demolished for environmental reasons

Dam busters go into battle

Environmentalists are trying to encourage salmon back to New England's rivers, writes **Victoria Griffith**

Legend has it that 50 years ago, during the great salmon runs in the New England state of Maine, a fisherman could stand knee-deep in a river, hold a bucket and wait for the fish to jump in. These days, he would wait a long time. Migrating salmon are rare in New England, and the situation is not much better in the Pacific North-west.

According to the National Wildlife Federation, an environmental group, migrating salmon populations in the Columbia and Snake rivers, for example, have been reduced to 5 per cent of previous levels. To maintain populations, the federation has adopted extreme measures such as capturing salmon, taking them upstream by road to spawn, then bringing the offspring back down the road again.

Environmentalists place the blame for the reduced stocks on dams, which block the passage of the fish. "We have a $200m (£130m) programme in place to restore salmon fishing to at least sport fishing levels over the next few years, and that effort is being seriously hampered by dams," says David Conrad, water resources specialist for the federation.

Concern over the environmental impact of dams is growing in the US, and opponents have already won an important victory. Two dams on the Elwah river in Washington state are about to become the first in the US to be pulled down for environmental reasons.

Opposition is also building in other parts of the country. In Maine, environmentalists are pressing the federal government not to re-license the Edwards dam on the Kennebec River. In Michigan, environmentalists are pushing at least two hydro-electric dams to be decommissioned.

In the 1960s and 1970s, ecologists promoted hydro-electric power as a clean energy source that could save the earth from the ravages of coal and oil-based electricity. In response, thousands of dams were erected around the country.

Environmentalists find the campaign to reverse the impact of hydro-electric dams no easy task. "The Elwah dams took an act of Congress to decommission," says Ronald Wilson, attorney with the Sierra Club Legal Defence Fund, set up by the Sierra Club environmental group. "That can't happen every time we want a dam taken out. We're going to have to find other legal routes to getting dams decommissioned."

Environmentalists hope they can convince the Federal Energy Regulatory Commission (FERC), which is in charge of dam licensing, to refuse permits on ecological grounds.

As hydro-electric dams are destroyed, the government will have to find alternative sources of energy. "We have to remember that hydro-electric is clean energy," says Linda Church-Ciocci, executive director of the National Hydropower Association. "If we use more of other forms of energy, we'll have a hard time meeting new emissions standards."

There are other obstacles to tearing down dams. One is cost. The dismantling of the Elwah river dams alone will cost $100m. Another barrier is the ecological chaos that can be caused by dismantling a dam.

The mounds of silt and other deposits which build up behind dams could threaten the environment if it is all released at once. Normally, the river flow would flush the sediment downstream. Since the Elwah dams are likely to be looked on as a model of dam removal, the government must proceed with caution. To guard against disaster, engineers will probably use a combination of methods to control the release of sediment. Vegetation will be planted to keep some of the silt and sand in place. The old dam site may be dredged and gravel, which salmon need to lay their eggs, may be redeposited upstream.

Environmentalists believe fish stocks will begin to recuperate within a few years on the Elwah. However, it may take 10 to 30 years for full restoration of populations. The sediment will probably take this time to redistribute and vegetation also needs time to grow.

However many problems the removal of the Elwah dams presents, ecologists say they are nothing compared with the challenges other dams would pose. The Elwah is set within the Olympic National Park and the sediment deposited behind the dam is relatively pollution-free. Other sites, which operate downstream from manufacturing companies, hold years of toxic waste in mounds of sediment, which would wreak havoc if the dams were dismantled.

Regulators are now trying to work with dam owners, who accept there is an environmental problem, to improve conditions for the wildlife. Temperatures fluctuate greatly around dams, as the water builds up before release. Temperature control devices improve the salmon's chances of survival as many fish die because the water is too hot or too cold. Also, screens on turbines help by preventing fish from being chopped up, and more fish ladders allow greater numbers of fish to pass through.

It appears that the tide is turning on hydro-electric power. Hydro-electric supporters complain it is extremely difficult to obtain permission for new projects. Some 150 dams will see their licences expire over the next few years, and with public pressure mounting, the federal government is likely to consider environmental impact before renewing the licences. It may be some time before fishermen can fill their buckets with salmon again, but environmentalists are optimistic that in rivers where the dams are removed, the fish will start jumping.

PEOPLE

Richardson steams on at UK's biggest port

Trade must be picking up at the Port of London Authority, Britain's biggest port. For the first time in its history it has hired a retired admiral to be its chief harbour master.

Admittedly, Bruce Richardson, 52, is only a rear admiral. But he belongs to a fast-dwindling breed. Ten years ago the Royal Navy had 34 rear admirals. Currently, there are 24 and the number is falling by around one a year, in line with the shrinkage in the size of Britain's Royal Navy.

Richardson, below, who takes over from Captain Gor-

don Varney, spent 32 years with the Royal Navy, mostly at sea. However, it was during one of his first shore jobs – as Britain's naval attaché in Moscow – that he first hit the headlines. He was ordered to leave the Soviet Union in 1982 as a retaliatory move after Captain Anatoli Zatov, the Soviet Naval attaché, had been expelled from London.

In 1985 his diplomatic and linguistic skills were recognised when he was put in charge of Nato's Standing Naval Force Atlantic – a multinational fleet of nine warships. By 47 he was a rear admiral and his last command was the First Flotilla comprising 47 destroyers/frigates and 11,000 men.

By contrast, he will have a much smaller fleet at his disposal in his new command.

But size does not reflect the importance of the job – maintaining the health of 150 km of the River Thames and overseeing the safety of 25,000 shipping movements a year.

The £45,000 a year job also has a ceremonial side, since the Royal Nore, which the Queen uses when travelling on the river, comes within his new fleet of patrol craft, barges, driftwood collectors, and salvage vessels.

■ John Gracie, 50, has been appointed the new chief executive of Oldham Training and Enterprise Council.

Gracie, the former chief executive of Qualitec, in St Helens, will be the third chief executive of the Tec, which was set up in 1991. He succeeds Lynne Clough, 36, who has been the acting chief executive, and who did not wish to be considered for the post on a permanent basis.

Astec appoints Farr to take over from Tamke

David Farr, 39, has been appointed chief executive of Astec (BSR), the Hong Kong-based and London-listed electronics company, 48.9 per cent owned by Emerson Electric of the US.

He replaces George Tamke, 46, who becomes non-executive deputy chairman. Tamke, chief executive since 1992, was instrumental in improving the company's fortunes through a restructuring programme and by moving some of its manufacturing bases from high cost to low cost countries, particularly in south-east Asia.

Farr says he will pursue the strategy he inherits from Tamke. The company has recently opened its second plant in Shenzhen, China and is set to open one in the Philippines later this year.

Farr ran Emerson's mergers and acquisitions department between 1986 to 1989, overseeing the Astec acquisition. He was president of Ridge Tool, a wholly-owned subsidiary of Emerson Electric, from 1989 to 1993. He has been based in Hong Kong since taking up the post of president of Emerson Electric Asia-Pacific last year.

NON-EXECUTIVE APPOINTMENTS

■ Sheila Forbes, director of human resources at Reed Elsevier, and John Gildersleeve, trading director of Tesco, at TSB GROUP.

■ Ray Reed, chairman of Thomas International, and Victor Steel, a former director of Kingfisher, at EUROPEAN LEISURE.

■ Margaret Forshaw has resigned from BURTONWOOD BREWERY.

■ Christopher Smart, former md UK of Towers Perrin, and Arthur Ewen, a director of NatWest Wood Mackenzie, as chairman, at UNITED FRIENDLY GROUP; John Rampe steps down as chairman but remains a non-executive on the board.

Peter Austen, 40, finance and planning manager of RHM's cereals division, has taken over as finance director of Boosey & Hawkes, the musical instrument maker and music publisher.

Austen is replacing Paul Hazel, 42, who quit after five years in the job.

Richard Holland, Boosey's chairman, said that Hazel had left for personal reasons and dismissed suggestions that there had been any personality clash.

Hazel, who earned £147,898 last year, was the highest-paid director.

Austen qualified with Ernst & Young in 1981. He subsequently joined the group finance department of Rank Hovis McDougall, becoming group chief accountant in 1985.

ARTS

Television/**Christopher Dunkley**

The grubby versus the prissy

The contortions achieved by BBC television in its determination on the one hand to stay with the tabloid newspapers in covering royal scandals, while on the other hand desperately trying to avoid being lumped in with them, are wonderful to behold. Its technique brings to mind that of the tabloids in years gone by when they found a juicy story about some eminent actress having appeared in blue movies during her youth. Thunderous condemnations of the disgusting nature of the films would be accompanied by entire double spreads packed with stills from the scenes in question: "Isn't it disgusting? And here's some more!" The BBC's ploy is to pretend that while it remains aloof from royal scuttlebut and would never concern itself with whether Princess Diana really has been making nuisance phone calls to an art dealer acquaintance – good heavens, this is the BBC you know, miles above that sort of thing – it is, however, duty bound in the public interest to report on the way that the tabloid press hounds the poor old royals. Of course it so happens that in the process the entire story is conveyed in detail to the viewers but, well, the BBC can hardly help that, can it? This pose of disdainful superiority towards the popular papers with their royalty watchers would carry more weight if BBC reports did not invariably include material from the BBC's own royalty watcher, Jenny Bond.

★

The notion of a lily white BBC, operating way above the level of the ordinary, grubby mass media, would be less laughable if they did not screen programmes such as *Jonathan Ross Presents David Copperfield*. No doubt Mr Copperfield is an outstanding illusionist – that was certainly the impression given by this programme which went out at 8.00 pm on Friday evening on the BBC's more popular channel – but it is clearly no coincidence that he is about to bring his act to London. For him this programme served as a 50-minute commercial, not least because Ross obligingly announced the venue and dates and declared that he would be there. It would be interesting to know precisely who paid what to whom to get this little lot on the air; licence payers might feel that Mr Copperfield should have been paying the BBC. And where did Mr Ross's own television production company fit in?

★

When we began the Edinburgh Television Festival in the 1970s it was meant, at least partly, as a thorn in the side of the broadcasting establishment, and for a couple of years it worked. Then that very establishment (which, to be fair, had always supplied the money) took over, and for most of the 1980s it became a rather boring event. Scores of indie producers spent days trying to get a word with Jeremy or Melvyn in the bar of the George. The most memorable moment occurred when Jeremy (Isaacs, that is) gave the MacTaggart Memorial Lecture and enthused so much over the forthcoming Channel 4 that he was credited with delivering the MacTaggart Memorial Job Application. But mostly it was dull. This year matters seem to have perked up considerably with a good squib delivered by MacTaggart lecturer Greg Dyke, until recently chief executive of London Weekend TV. The Isaacs "job application" worked, as we know, and you have to wonder whether Mr Dyke was following suit. Since he now has millions of pounds from his LWT share options he scarcely needs another job, yet he would be an ideal person to head the government broadcasting commission which he declared the next Labour administration should set up to look at new ways of choosing those who run British broadcasting. His main concern seems to be one that has been expressed many times in this column: that – unlike the newspapermen who went to prison in the long fight to win the freedom of the press – those who run commercial television are not chiefly concerned with freedom of speech or with journalism at all, but with profits. And those who run the BBC depend upon the government for their very existence. Consequently they are all far too cosy with politicians.

★

What with Michael Grade then lamming into the prissy old busybodies who are allowed to gag and hobble dramatists, journalists and entertainers in Britain via a network of organisations set up in response to "the Mary Whitehouse tendency", it really does seem as though the Edinburgh Television Festival has put itself right back on the agenda. It was very much Grade's weekend because on the Saturday he appeared on BBC2 interviewing his famous uncle, Lew, in *The Persuader: The TV Times Of Lord Lew Grade*. Given Lord Grade's age and the pleasure so many of his series – from *Sunday Night At The London Palladium* to *Jesus Of Nazareth* – have given so many viewers, it was right that this should be a fond and indulgent programme. But however fashionable retro-telly may have become, we should remember that most of Lord Grade's series (*The Buccaneers, The Persuaders, The Adventures Of Robin Hood, The Adventures Of William Tell, The Saint* and more, many of them revived on BBC2 this week) were deeply undemanding, unchallenging and unoriginal. There were two extraordinary exceptions: *The Prisoner* and *The Muppet Show*. What a pity that, while championing those, Lew did his own spot of gagging and hobbling by suppressing for 20 years Kenneth Griffith's bold and eye opening documentary *Hang Up Your Brightest Colours*, about the IRA leader Michael Collins.

★

Once in a while comes a programme which jerks you back in your chair with news of some imminent major change in the world. A BBC report on the microchip, which predicted pretty well everything that has subsequently occurred, sticks in the memory, and now Channel 4's *Equinox* has shown how electronic road tolls are likely to become the norm soon. Given that it cost £5 to travel from London to Norwich on the toll roads in 1789, about £300 at today's rates according to the programme, we should probably not be too full of foreboding . . . and yet, some of the proposals for extending roadside electronic monitoring to the point where drivers become superfluous did make you think about Big Brother.

Edinburgh Festival

Lucinda Childs

After the Edinburgh Festivals matchless double thrill – Miami City Ballet's treasure trove of works by Balanchine; the Mark Morris Dance Group's life-affirming *L'Allegro, il Pensaroso ed il Moderato* – the Lucinda Childs Dance Company was bound to come as a sobering experience.

For anyone interested in post-Judson (that is, post-post modern) American dance, Childs is required viewing. But the wider significance of her work is to be found in its illustration of the consanguinity between ideas and procedures first employed by Merce Cunningham/John Cage, and the new dance movement which developed in Britain during the 1970s and early '80s. After discarding much of the outwardly limp, if formative, radicalism of the 1960s, Childs set about building and refining a style of minimalist dance which seemed blankly driven by obsessive order and symmetry, and symbiotically informed by the repetitive rhythms provided in the music of contemporary composers such as Philip Glass.

Her company, currently celebrating its 20th anniversary and making its British debut, brought a selection of five works to Edinburgh's Playhouse Theatre. *Dance*, Child's oldest, longest and most successful piece, dominated programme one; the second programme – a triple bill of pieces created between 1991 and 1993 – showed Child's predelicition for even tighter minimalistic structures than those she employed back in 1979 for *Dance*.

Most inscrutable and monophonic of this recent batch of works – all accompanied by harpsichordist Elisabeth Chojnaska – is *Concerto*, a nine-minute drill for seven perfectly behaved dancers whose incorruptible step patterns are finally broken by the last, plangent chords of Gorecki's score and by the photographic flash of light which catches the line up of approaching figures in a sudden ghostly relief.

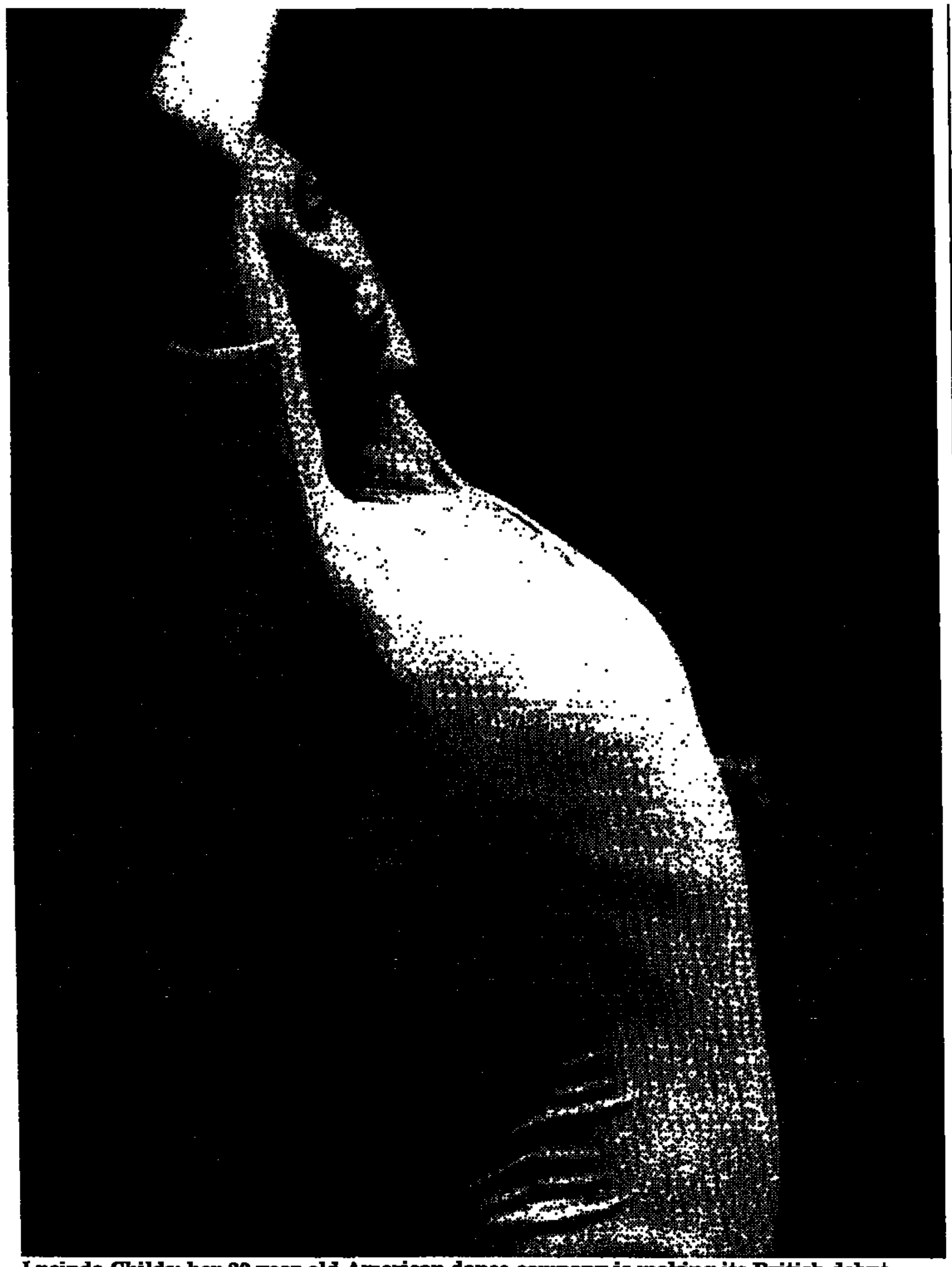
In comparison, *Ribbon Plus and One and One* seem tinged with a secret lyricism – although Childs, who makes solo appearances in both works, ensures that it is kept closer to her head than to her heart. However, beneath the dancers busy, precise footwork, collective mask of solid concentration, and willowy and balletic – but oddly unyielding – postures, one can seen a physical language which is both sporty and classical, cerebral and yet intuitive.

And it is a language which in *Dance* finds a natural partner in the grainy, black and white film supplied by Sol LeWitt. Behind LeWitt's vertically and horizontally-split, moving images of the work's original cast (including Childs) of 15 years ago, the dancers echo and follow the complex cycles of repetition executed by their screen counterparts. Philip Glass's ensemble score grows wearisome, limiting the progression of Child's response in a more insidious manner than the Ligeti and Xenakis compositions of her later dances. But there is much to savour in the perfect alliance and sometimes hypnotic interaction between film and movement here.

Unfortunately, such fine-tuned synchronisation tends to bring out the worst in some viewers. At a lecture given by Childs, an elderly gentleman expressed concern that Childs happens to blink, when otherwise stationary, on LeWitt's film. "Was this intentional?" he queried. "Well," answered a completely unruffled Childs, "I suppose you have to allow for biological accidents – like breathing." Like her comments, Childs's dances leave you either fascinated or alienated.

Sophie Constanti

Lucinda Childs Dance Company appears at the Queen Elizabeth Hall, 18-20 October, as part of the Dance Umbrella festival



Lucinda Childs: her 20-year-old American dance company is making its British debut

Promenade concerts/**Adrian Jack**

The Cleveland Orchestra

The Cleveland Orchestra must have been a bit surprised when the Prommers on Saturday night gave it politely moderate applause for Dvořák's New World Symphony and saved their thunder for Harrison Birtwistle's *Earth Dances*. Forty minutes of continuous attention calls either for protest or release, so release it was. Originally commissioned for the BBC Symphony Orchestra, the music expressed – at least in this performance – not so much the corybantic celebrations suggested by its title as slow relentless march of some lumbering behemoth with a gaggle of percussion (six players) persistently snapping at its heels and eventually bringing it, after much minatory stuttering, to a halt. Only a few people fled before Birtwistle's heavy hand had a chance to tighten its grip.

The Cleveland Orchestra established its international reputation under the formidable George Szell, its music director for 24 years until his death in 1970. Szell was renowned for his austere discipline in the the Austro-German classics, and the orchestra's current conductor, Christoph von Dohnányi, is a respectful heir to that tradition, less remarkable for the warmth of his interpretations than for their clean efficiency.

There was not much to make you sit up suddenly in the way he conducted the New World Symphony, though in the first movement he got the strings to bend the rhythmic shape of the "Swing Low" theme in exactly the same way each time it occurred, which seemed merely a token gesture of artistic licence. In the Scherzo and Finale, counter melodies on the trumpet usurped the limelight – a sign that the conductor's ear may have tired of the main business, for in music as hackneyed as this, it is tempting to look for the inessential. However many times the orchestra may have already played Dvořák on its current tour, this certainly did not sound like the freshest performance, nor the most deeply felt.

The only bit of genuine American music in the Cleveland's two weekend concerts was Charles Ives's eerily descriptive *Central Park in the Dark*, which came before the Dvořák – not the best concert opener for an audience still coughing tea or supper out of its system.

Sunday evening's programme began with Webern's arrangement of the six-part *Ricercar* from Bach's *Musical Offering* – less of an orchestration than an analysis by instrumentation. Bach was then recalled in the playful Cubist mannerisms of Stravinsky's violin concerto, performed by the young German violinist Christian Tetzlaff with a fine blend of crisp wit and immaculate silky tones.

But we were in another world altogether with Mahler's First Symphony after the interval. The Cleveland players gave it their well-honed best; yet still, to a work which is so personal and richly evocative, from the magically retrospective opening in which Mahler harks back to the sound of the countryside in which he was born, through the grotesque, fearful surrealism of the slow movement, to the flailing, tragic heroics of its finale, Dohnányi's approach was more than a touch clinical. There was certainly no mud on his boots in Mahler's uncouth, rustic Scherzo, even if the eloquent expressiveness of Dohnányi's gestures in the central Trio section did not seem to translate into orchestral effect. Which suggests, perhaps, that well trained as the *Cleveland is, it is* neither to be shaken nor stirred.

Theatre/**Malcolm Rutherford**

'Rebecca' still thrills

Two birds with one stone. First I read Daphne du Maurier's novel *Rebecca*, which is so sensitively written that it deserves all the praise it has ever been given. Then I went to Bath, where *Rebecca* the play is at the Theatre Royal, which must be one of the pleasantest theatres in the country.

Unsubsidised, it lives nowadays mainly on touring productions, sponsorship and making its excellent facilities available for other activities. The theatre even has its own pub, named appropriately The Garrick's Head.

Du Maurier's novel was published in 1938. It was so successful that she herself produced a dramatised version, starring Margaret Rutherford as the sinister Mrs Danvers, a year later. The movie, directed by Alfred Hitchcock, came around the same time.

There is no great point in comparisons. They are simply different treatments of broadly the same material and each stands in its own right. The novel is written in the first person by the second Mrs de Winter. It is more the tale of one girl's experience than of a wider society. Du Maurier did not even give her a first name.

The play is more Agatha Christie than a subjective piece seen through one set of eyes. Yet the suspense is still there. Note in this production the frisson that goes through the audience as the curtain rises for the second act with Mrs Danvers in black at the top of the stairs and a frightened Mrs de Winter at the bottom: the frivolities are over.

Note, too, the way some of the twists of the plot of the novel are made more dramatic by shortening. A possible motive for a verdict of suicide on Rebecca is established by a couple of telephone calls, not by a long trip from Cornwall to London. All this is done while keeping a large part of the original dialogue, though sometimes the order is changed. It is clearly what du Maurier wanted to do to her own work.

There is a single set, designed by Allen Miller-Bunford, of the hall at Manderley, the remote stately home of Maxim de Winter. Since the Bath theatre is itself rather elegant, that is all that is required to convey the opulence of the house. Moreover, it is opulence without ostentation. Nothing in Hugh Wooldridge's production is crude; the lighting, so important to the plot and the nuances, never falters. The entire cast – and this is a rare compliment – seem born to the social class they have to play: masters, servants and inbetweens.

In the novel Maxim seems a bit of a shadowy figure. On stage, played by Patrick Mower, he emerges as central. A consequence is that Carolyn Backhouse's Mrs de Winter falls a little into the background, yet this is entirely suitable to the drama. After all, it is not Mrs de Winter who has committed a crime, nor is she the star attraction at Manderley. Ms Backhouse accepts this slight demotion from her role in the book with great dignity.

Under E&B Productions *Rebecca* runs at Bath for the rest of this week, then has outings at Norwich, Sheffield, Nottingham, Aberdeen and a string of other regional theatres. Catch it where you can.

INTERNATIONAL ARTS GUIDE

■ BESANCON

The French town of Besançon is best known in the musical world for its conductors' competition, but this has now been turned into a biennial event. However, the annual music festival has developed a momentum of its own (Sep 2-16). The opening concert is given by the Pittsburgh Symphony Orchestra under Lorin Maazel. Other visiting ensembles include the Dresden Staatskapelle with Colin Davis, Il Giardino Armonico in a baroque programme and the Hungarian National Philharmonic Orchestra. Recitalists include Matt Haimovitz, Anner Bylsma, Michel Dalberto and the Alban Berg Quartet (8181 8226)

■ BONN

Oper A new dance drama on the theme of the Dreyfus Affair opens on Sun. The work has been devised by George Whyte with music by Alfred Schnittke and choreography by Valery Panov (repeated Sep 6, 8, 10, 16, 24, Oct 3, 14, 18, 29, Nov 9 and 11). Repertory over the coming month also includes Les Contes d'Hoffmann and Antonio Carlos Gomes's opera Il Guarany (0228-773667)

■ COLOGNE

Philharmonie Tomorrow: Michael Gielen conducts South West German Radio Orchestra and Berlin Radio Chorus in Beethoven's Ninth Symphony. Fri: Cologne Chamber Orchestra in a Beethoven programme, with violin soloist Dmitri Sitkovetsky. Sat: German Jazz Orchestra. Mon: Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in works by Mozart and Messiaen, with violin soloist Antje Weithaas. Tues: Lorin Maazel conducts Pittsburgh Symphony Orchestra in symphonies by Rakhmaninov and Brahms (0221-2801)

■ DRESDEN

Semperoper Tonight: The Cunning Little Vixen. Fri: Der fliegende Holländer. Sun: first night of new ballet production, choreographies by Stephan Thoss, Martin Stiefermann and Katarzyna Gdaniec. Sun and Mon: Colin Davis conducts Dresden Staatskapelle in works by Weber, Dvorak and Berlioz (0351-484 2323)
Kulturpalast Sat, Sun: Michel Plasson conducts Dresden Philharmonic Orchestra in works by Haydn and Stravinsky (0351-486 6666)

■ FRANKFURT

Alte Oper Tonight: Peter Rundel conducts Junge Deutsche Philharmonie in the world premiere of Heiner Goebbels' Surrogate Cities, with vocal soloists. Tonight (Mozart Saal): Vadim Repin violin recital (replacing Midori, who has cancelled). Tomorrow: Alban Berg Quartet. Fri: Thomas Hengelbrock conducts Freiburg Baroque Orchestra in music by baroque composers, plus a new work by Marc André Dalbavie. Sat: Monteverdi choral works and Nono's Caminantes Ayacucho (1987). Sun: Michael Gielen conducts South West German Radio Orchestra and Berlin Radio Chorus in Beethoven's Ninth Symphony. Sat (Mozart Saal): Ruth Ziesak song recital. These events are part of the Frankfurt Festival, which continues till Oct 3 (069-134 0400)

■ GOTHENBURG

● The Gothenburg Symphony Orchestra's 1994-5 season opens tonight with a concert conducted by Neeme Järvi, featuring Shostakovich's Michelangelo Songs (Sergei Leiferkus) and Musorgsky/Ravel's Pictures from an Exhibition. Next Wed and Thurs: Järvi conducts Tubin and Brahms (031-167000)
● Gothenburg's new harbourside opera house opens on Sep 30 with the first of three gala performances. The first opera production is Blomdahl's Aniara (1959), opening Oct 15 (031-131300)

■ HAMBURG

Musikhalle Hamburg's music festival opens on Sun and runs till Sep 19. This year's featured composers are Paul Dessau (born 100 years ago in Hamburg) and Schumann. The opening concerts on Sun and Mon, by the Hamburg State Philharmonic Orchestra and Chorus under Gerd Albrecht, are devoted to Dessau's oratorio Hagadah. Other highlights include concerts by the Los Angeles Philharmonic under Esa-Pekka Salonen on Sep 7 and the Munich Philharmonic under Sergiu Celibidache on Sep 17, plus a song recital by Olaf Bär on Sep 14 (040-354414)
Staatsoper The new season opens on Sun. Repertory for the first three weeks includes Il barbiere di Siviglia, Entführung, Il trovatore, Henze's The Bassarids, Das Rheingold and John Neumeier's Henze ballet Undine. Günter von Kannen gives a song recital next Tues. The first new production of the season is Rigoletto on Oct 16 (040-351721)

■ HELSINKI

HELSINKI FESTIVAL
Tonight: Jukka-Pekka Saraste conducts Finnish Radio Symphony Orchestra and Chorus in Mahler's Eighth Symphony. Tomorrow: Jordi Savall plays music for viola da gamba. Fri: Lahti Philharmonic plays symphonies by Finnish composer Kalevi Aho. Sat and Sun: new ballet by Johann Kresnik inspired by paintings of Francis Bacon. Mon: Grigori Sokolov plays Beethoven sonatas, plus a concert by Michael Nyman Band. Later next week there will be two concerts of music by contemporary British composers, played by the London Sinfonietta. The festival runs till Sep 11 (664466)

■ LEIPZIG

● Two guest orchestras visit the Gewandhaus this week. The Pittsburgh Symphony gives a concert tomorrow under Lorin Maazel, featuring works by Brahms and Ravel. On Sun, Carlo Maria Giulini conducts Orchestra of La Scala Milan in symphonies by Brahms and Beethoven (0341-713 2280)
● The 1994-5 season at the Opernhaus opens on Sep 10 with a new production of Salome starring Nancy Gustafson (0341-291036)

■ MUNICH

Herkulessaal Maurizio Pollini gives the first recital of the new season on Sep 9, followed by Sviatoslav Richter on Sep 13, Alfred Brendel on Sep 24 and 26, and Carlo Bergonzi on Sep 30 (089-299901)
Gasteig Sergiu Celibidache conducts the opening concerts of the Munich Philharmonic Orchestra's season on Sep 10, 12, 13 and 15 (089-4809 8614)
Staatsoper The season opens on Sep 21 with a revival of Der Rosenkavalier starring Felicity Lott. The season includes new productions of Don Giovanni (Oct 31), The Adventures of Mr Broucek, Henze's Der junge Lord, Simon Boccanegra and Parsifal (089-221316)

■ OSLO

Konserthus Paavo Berglund conducts the next two weeks of concerts by the Oslo Philharmonic Orchestra. Tomorrow and Fri: Kokkonen, Nielsen and Brahms. Next week: Sibelius, Strauss and Shostakovich. The orchestra celebrates its 75th anniversary on Sep 22 and 23 with performances of Schoenberg's Gurrelieder conducted by Mariss Jansons (2283 3200)

■ STOCKHOLM

Drottningholm Youth and Folly, a Singspiel by early 19th century composer Edouard Du Puy, can be seen tomorrow, Tues and Thurs. The Royal Dramatic Theatre presents a Strindberg evening on Mon, and the last of this summer's performances is a piano recital by Bengt Forsberg on Sep 10 (08-660 8225)
Royal Opera The 1994-5 season opens on Fri with Tosca, with a cast headed by Laila Andersson, Gösta Winbergh and Björn Asker (repeated Sep 6, 8, 12). Ingvar Lidholm's Strindberg opera A Dream Play can be seen on Sat afternoon and next Fri as part of Stockholm's Strindberg Festival (Sep 3-11). The first new opera production is Aida, opening Sep 15. The Royal Swedish Ballet opens its season next Mon with Natalie Conus' staging of Swan Lake (tickets 08-248240 information 08-203515)

■ STUTTGART

● The final month of this year's Ludwigsburg Festival includes a recital by Yo Yo May and friends on Fri, performances by the Stuttgart Ballet Sep 16-20, a song recital by Dmitri Hvorostovsky on Sep 23 and a piano recital by Murray Perahia on Sep 24 (07141-939610)
● Gabriele Ferro conducts the Staatsorchester in a Stravinsky and Prokofiev concert at the Liederhalle on Sep 11 and 12. The opera season begins on Sep 17 with a revival of Monteverdi's Ulisse (0711-221795)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

French left wanting

The Socialists face a dilemma ahead of the presidential election

Last week, in a telling postscript to the collapse of the French Socialist party, Michel Rocard, long-standing star of the party, finally abandoned his presidential ambitions. It was a poignant and symbolic moment in the postwar history of French politics. And it raises the question whether the Socialists can pull themselves together, and if so, how and on what terms.

For 20 years and more, this intelligent man's popularity made it seem almost inevitable that he would one day contest, and might win, the presidency. Only three things stood in his way: President François Mitterrand, the factionalism of the Socialist party, and its eventual disintegration. Between them, they put paid to Mr Rocard's presidential ambitions.

President Mitterrand cordially disliked Mr Rocard for his intelligence, for his popularity, and for his insubordinate ambitions; and since Mr Mitterrand dominated the Socialist party, he had the whip hand. In the run-up to two presidential elections Mr Rocard virtually declared his candidacy; on both occasions he withdrew in favour of Mr Mitterrand, but these retreats did not earn him Mr Mitterrand's gratitude, merely scorn for his weakness and anger for his offence of *lèse-majesté*. Mr Mitterrand was determined Mr Rocard should not succeed him in the Elysée Palace.

For nearly 20 years Mr Mitterrand maintained his dominance of the Socialist party by manipulating rival clans or *courants*. But by 1990 his power was waning, and the faction leaders precipitated the inevitable power struggle for the succession.

In an early spasm of this struggle, it looked as though Mr Rocard would be the primary beneficiary, when he negotiated a token endorsement as the party's future presidential candidate. But this window of hope swung shut with the Socialists' massive defeat in the general election of 1993: Mr Rocard lost his seat in the National Assembly, and though he briefly seized formal control of the Socialist party machine, he was himself thrown out this year, when he led the party to an even more catastrophic defeat in the European Parliament elections.

Last week Rocard let it be known that he would be giving up his position as mayor of the town of Conflans-Sainte-Honorine in the western outskirts of Paris. His friends claim that he will continue to play a leading role in the party. But the commentators and the opinion polls tell a different story: Mr Rocard is out of the running, almost certainly for good.

But the Socialist party is not out of the running. It has been battered by its recent electoral defeats, but there is a general presumption that it ought to be able to recover some of the lost ground. In this year's European Parliament elections, the Socialists sank to an abysmal 14.5 per cent of the vote, and the communists to less than 7 per cent. Nobody believes that what used to be called the left-wing electorate – 48 per cent in the 1988 general election – has disappeared, especially not in a period of economic woe. The problem is how to recover the lost voters.

Mitterrand was determined that Rocard should not succeed him in the Elysée Palace

The immediate focus of attention is the presidential election campaign next spring, since in France the presidency determines everything. And with the evaporation of Mr Rocard as the Socialist party candidate, it is being assumed his place will be taken by Mr Jacques Delors, president of the European Commission, who has the merits of being French, socialist and popular with the French electorate. Since his tenure in Brussels expires at the end of this year, he will be available just in time for the French presidential election campaign.

And yet his relationship with the party may be a difficult one. Mr Delors is not by temperament a fighter, nor is he a seasoned political campaigner; and though he is a member of the Socialist party, many in the party distrust him for being, not just a Social Democrat (like Mr Rocard), but in effect a Christian Democrat. Since he is not a fighter, it seems unlikely he will stand unless he is sure of the unanimous support of the party. But this is a party which is, and has always been, structurally divided; and it will not willingly surrender to an outsider, except after laborious negotiations or in desperation.

On the surface, the Socialists' dilemma seems acute, because of their recent defeats. But their biggest problem is one affecting the whole political establishment: popular revulsion against the traditional parties of government. The most spectacular result in this year's European elections may have been the drop in the Socialist vote; but it was perhaps less significant than the fact that the governing conservative parties scored less than 26 per cent.

The specifics of this election result can be partly explained by the mobilisation of anti-Maastricht sentiment, notably by the ultra-nationalist group led by Mr Philippe de Villiers. But you only have to go back to the regional elections of 1992, to find a similar desertion of the traditional parties of government, in favour of minority and protest parties.

The basic rule for the presidential election is simple: you can't get elected except as the candidate of a major party of government. Raymond Barre campaigned as a solitary figure in 1988, and scored a respectable 17 per cent, but he could not be elected. But recent elections indicate the French dislike and distrust their traditional political parties.

In other words, it is possible Mr Delors could be elected as standard bearer for the Socialists, even though the party is now intensely unpopular, and many traditional Socialists distrust him. This would pose, in extreme form, the ambiguity of the French constitution between its parliamentary and its presidential aspects.

Michael Cassell joins a temporary trade promoter trying to boost UK exports in testing conditions

British bottle in the Mexican heat

Mr David Cadwallader stepped out into the sunshine on Mexico City's Rio De La Plata and drew a deep breath. It might not have been wise, given air pollution verging on the edible, but it was understandable.

The previous 90 minutes, in the office of Professor Hector Tello, president of the local British Chamber of Commerce, had been tough. Prof Tello had questioned the British government's commitment to help UK companies do business in Mexico and cited the impressive export efforts of competitors like Spain, France and Germany.

It had not made easy listening for Mr Cadwallader, temporarily plucked from his job as a regional export manager with Boots, the UK retailing and pharmaceuticals group, to help the Department of Trade and Industry bat for Britain in Mexico.

He had been amazed to discover that a chamber anxious to back the British effort was not aware the government had a strategy to boost exports to Mexico. Asked how this could be, Mr Christopher Jebb, second commercial secretary at the British Embassy, and Mr Cadwallader's "minder" for the day, explained that it was "probably confidential".

The exchange offered a small insight into the differences in approach between civil servants and salesmen as they seek to work together to win business. There is a cultural gap in experience and understanding which the DTI is now trying to bridge.

Under a much-trumpeted initiative launched last year by Mr Michael Heseltine, trade and industry secretary, 100 export promoters such as Mr Cadwallader are now on loan to the DTI from companies and trade bodies. Their salaries continue to be paid by their employers. Some recruits see the job as a useful career move, others as a final challenge before retirement, and a few have chosen secondment to ward off redundancy.

Each armed with their experience and a £40,000-a-year travel and promotions budget, they comprise Mr Heseltine's private export army. Their mission, as they shuttle backwards and forwards to the UK, is to use their knowledge of world markets to sharpen up a government export promotion machine charged with narrowing the UK's visible trade deficit, which reached £1bn in May.

All the export promoters, most on two-year secondments, pay regular calls to the eighth floor of Kingsgate House in London's Victoria, home to the DTI's export promotion operation – reorganised to try to improve its effectiveness. Mr Cadwallader says he is impressed by the quality and scale of the DTI's market information but says the department has not used it to best advantage.

Eighty countries have been targetted as priority markets and each is supported by teams of DTI desk officers who have been relieved of their trade policy responsibilities to concentrate on export promotion.

Mr Heseltine's troopers have notched up hundreds of thousands of miles in search of market opportunities, returning to alert more than 8,000 UK companies.

At 53, David Cadwallader has 30 years of marketing and sales behind him and is one of eight export promoters for Latin America. He has sole responsibility for Mexico, where the UK – at the turn of the century Mexico's biggest trading partner – now accounts for only about one per cent of imports. In the first six months of 1994, UK exports to Mexico reached £186m, leaving a surplus of £80m. UK corporate investors rank second only to the US.

According to Mr Cadwallader: "There is a film industry image of Mexico as unstable, bandit-country beset by high inflation and poverty. The reality is 7 per cent inflation, growing consumerism and massive infrastructure and privatisation programmes."

He does not suggest everything is rosy. Nervousness among foreign investors ahead of the recent presidential election highlighted the continuing caution of many businessmen. "In Mexico, there are bureaucratic barriers and ever-changing government regulations. But Britain and British goods are liked, and there are opportunities to sell everything from fine china to prefabricated housing." At home, he is driving 20,000 miles a year by car to ensure companies know it.

On his first, nine-day visit to Mexico – he plans up to six a year – Mr Cadwallader notched up 50 meetings with government and state bodies. At the start of this, his second visit, he has already given radio, television and newspaper interviews before embarking on a packed programme largely designed to explore the market for consumer goods.

His day begins over breakfast at the Restaurant Continental with import agent Laura Turrell. She is particularly excited about the imminent arrival from the UK of Worcester Bear, whose exploits in search of honey are depicted on a new range of china ware to be sold in the smart boutiques of Mexico City, Monterrey and Guadalajara.

Lunch follows at the Ile de France with executives from Mexico's Liverpool department store chain, which owes its name to the British port which prospered in the golden years of UK-Mexico trade. The store would run a British Week but there are not enough products. "We think UK goods are too expensive and you think we have no money," suggests Enrique Chabre, a director.

The day also includes a series of meetings with other importers, local lawyers and executives from UK companies established in the country. Over evening drinks, Mr Cadwallader chats to two young brothers who handle fancy English chocolates and want more items to satisfy the Mexican sweet tooth.

An early flight to Monterrey the next day takes him to a round of talks with businessmen and state government officials on infrastructure projects. Back in Mexico City, Mr Cadwallader sees Mr David Waugh, who heads Trafalgar House operations locally and is after a $200m water distribution project in Guadalajara. He might have to see off the French and to do that, he says, the company will need plenty of political support.

Mr Cadwallader offers all the assistance he can but it will be limited. Despite demands from Mr Michael Portillo, former chief secretary to the Treasury, that the DTI's expenditure on some export assistance be trimmed further, the budget is small. This year, the DTI has £57m to spend on improving UK trade overseas, £5m of which is set aside for Mr Heseltine's team of export promoters.

At a planning meeting at the British Embassy, Mr David Berg, deputy head of mission, acknowledges "money is very tight". Six trade missions to Mexico are planned for 1995 but there will not be enough DTI cash to help them all.

It is an unequal battle against big-spending competitors such as the Germans. "There is no question those engaged in commercial promotion feel as though they have one hand tied behind their back", says Sir Roger Hervey, the retiring British ambassador to Mexico, whose embassy spends 60 per cent of its time promoting UK business interests.

Mr Cadwallader thinks he is lucky working with a commercially-oriented embassy but he still harbours thoughts to send shivers down the back of many a career diplomat. In his five minutes with Mr Heseltine he was bold enough to suggest the Mexican embassy should be converted into a showcase for Britain filled with commercial staff. The secretary of state expressed regret that embassies were the responsibility of the Foreign Office.

Mr Heseltine says deals are now being done as a direct result of his promoter's efforts and he may enlist more. Not all the promoters, however, have proved particularly energetic and future recruitment might be more selective. Some DTI export promotion staff still resent "outsiders" on their patch, though much of the original scepticism has disappeared.

Mr Cadwallader thinks his job in a country of 87m people might have to be more focused to be effective and is still waiting for confirmation of the first export deal to arise directly from his efforts. He says he is looking forward to cracking open a bottle of champagne, though he accepts it is one product in which the UK simply cannot compete.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Right price for Euro electricity

From Mr David Porter.

Sir, The frustration of the Germany city which is not allowed to buy cheaper electricity from the Netherlands is understandable ("Sparks fly over attempt to break power barrier", August 25). I have met commercial users of electricity who, having secured lower prices through supply competition in Britain, wonder why their outlets in other parts of Europe are not allowed a similar choice between electricity suppliers.

Competition between producers and the right to choose a supplier will drive down electricity prices and help to make Europe more competitive. Unfortunately, that prospect does not appeal to many of Europe's electricity monopolies, which are resisting liberalisation. There is no shortage of companies waiting to provide competition – many of them British – but it will not come about until more of Europe's electricity customers insist on choice. They should stand up and be counted.

David Porter,
chief executive,
Association of Independent Electricity Producers,
41 Whitehall,
London SW1A 2BX

Valuable service

From Mr Paul J L Rex.

Sir, I have followed with interest your coverage of Lord Archer's dealings in the shares of Anglia TV.

Your paper has frequently featured the problems facing small investors in their access to the Stock Exchange. I am sure that your readers would consider it a valuable service if you were to publish a list of other individuals who are prepared to deal on behalf of friends and acquaintances in the shares of public companies of which their spouse is a director.

Paul J L Rex,
Weavers,
Gastons Lane,
South Warnborough,
Hants
RG25 1RH

Not convincing evidence on market testing savings

From Mr John Sheldon.

Sir, Sir Peter Levene protests too much. He writes (Letters, August 26) that detailed evidence to back up the claims for savings made from market testing Civil Service activities is publicly documented in the Citizen's Charter Second Report. I assume he is referring to the table entitled "Annual savings and department-wide costs of market testing" in that document.

Unfortunately for Sir Peter, there is no detailed breakdown of the basis of the claimed "savings", just rows of figures which we are presumably expected to take at face value. Taxpayers and civil servants are entitled to more than this. A series of assertions presented in tabulated form is no more convincing than if presented in any other form. The table makes very impressive-looking claims for millions of pounds of savings, until (like most quack remedies) you look at the small print.

The notes accompanying the table state: "The savings figures measure estimated savings in future years", and "therefore the calculation of any net savings figure should be treated with caution, and regarded as illustrative only". This is not what most people would call a convincing piece of evidence.

John Sheldon,
general secretary,
The National Union of Civil and Public Servants,
124/130 Southwark Street,
London SE1 0TU

No sense of nostalgia for Third Reich

From Mr Georg Heindl.

Sir, I would have enjoyed your otherwise interesting article, "As They Say in Europe" (August 27), much more had it not been for the reference to the "Third Reich" which got it all wrong. Nobody in his right mind in Austria feels nostalgic about the Third Reich. The times when people would go to Bratislava on the tram without any border controls were not during the Third Reich but during the Habsburg monarchy. Border controls were introduced after the dismemberment of the monarchy and the tram service suspended when the Iron Curtain went down only 40 miles east of Vienna.

Neither did the multinational monarchy have any colonies. It is difficult to imagine any empire of the day which would have made colonials foreign ministers like the Polish and Hungarian counts Goluchowski and Andrassy, or even prime minister like Count Taaffe, the offspring of an Irish family. True, Austria is firmly anchored in the west. At the same time we have offered our neighbours to the east a helping hand on their way into the new Europe. This was stated explicitly by President Klestil only a few days ago at a meeting of eight central European heads of state.

There will be no resurrection of the empire because, as you say, history is not about to repeat itself. But there will be a new dimension of European co-operation in which Austria definitely will play her part.

George Heindl,
press attaché,
Austrian Embassy,
18 Belgrave Mews West,
London SW1X 8HU

A powerful source of revenue for the chancellor

From Mr Peter Rost.

Sir, If the UK chancellor is looking for extra revenue, he should consider a one-off capital and profits levy on the regional electricity companies. This would be politically popular, compensating for the embarrassing undervaluation of the privatisation reflected in the trebled share prices.

Siphoning off some of the bulging surplus cash, with even more to come from the sale of National Grid Company, would not be seen as unfair, and it is justifiable economically, as it would assist in the reduction of the public sector borrowing and offers earlier scope for beneficial tax cuts elsewhere.

A previous chancellor's excess profits levy on the windfall profits of the banks provides a respectable precedent.

Peter Rost,
chairman,
Major Energy Users' Council,
Berkhamsted, Herts HP4 1LE

Error to abolish House of Lords – but reform another matter

From Mr Nicholas Beale.

Sir, Roland Rudd's article advocating the abolition of the House of Lords is misconceived ("Time to go, m'lords", August 25). The great advantage of the House of Lords is that its members are free to speak their minds and are mostly not politicians.

It is not an "accident" that such a group is often better informed and makes wiser decisions than the House of Commons. To abolish such a valuable institution for reasons of prejudice would be a grave error.

But reform is a different matter. To make it completely democratic all that is needed is a modest adjustment to the voting system used in the upper house. Each peer would have a number of "shares" which would be the total number of votes cast for his or her party at the last general election, divided by the number of peers who are members of that party. The votes of abstainers would be divided equally between the independent peers. This would combine the benefits of proportional representation with the advantages of an independent-minded and knowledgeable second chamber, using a system familiar to all shareholders and company directors. Combined with the nostalgic appeal for ennobled former trades union leaders, its attractions should be irresistible.

Nicholas Beale,
3 Berkeley Square,
London, W1X 5HG

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday August 31 1994

Virtue in mega-deals

After the financial excesses of the 1980s a new wave of takeovers and mergers denominated in billions of dollars inevitably gives rise to a sense of unease. The nervousness is magnified when, as in the case of SmithKline Beecham's offer for Sterling Health this week, a $2.9bn bid is financed on borrowed money and declared to be part of a plan to become "the major healthcare company in the world".

Yet the generalised worry can be overdone. The financing of most of the mega-deals so far this year has fallen well short of the risks run in the heyday of leveraged buyouts. The deals are also being driven chiefly by industrial logic. The get-together between defence contractors Lockheed and Martin Marietta is part of a desirable rationalisation in an industry that has already seen the marriage of such giants as Northrop and Grumman earlier this year. SmithKline Beecham and Sterling are following a route already explored by Merck and Eli Lilly, among others.

If the deals have anything in common, it is that they amount to a backhanded tribute to the effectiveness of the Clinton administration's fiscal policy. Defence and healthcare spending were two of the more dynamic components of the budget deficits that piled up under Mr Clinton's predecessors. The end of the Cold War and the need for discipline in welfare spending have combined to change government priorities. Mega-deals are a just one indication of how the corporate sector is trimming its sails to the prevailing fiscal wind.

These problems are common to most of the industrialised world. But rapid adjustment in the US is facilitated by the existence of a more sophisticated takeover market. Europe's response is nonetheless under way, although the commitment to fiscal orthodoxy, which is encouraged by the Maastricht convergence criteria, varies widely from government to government. Measures to cut spending and increase taxes are accompanied by an accelerating privatisation programme that will shift part of the burden of public sector finance from debt to equity markets. Among Europe's corporate giants awaiting treatment are Lufthansa in Germany, Renault in France, the Italian energy and telecom concerns Enel and Stet.

One of the conventional wisdoms of the post-Cold War world is that the adoption of the liberal market model in developing countries will raise investment returns and attract a growing flow of First World capital. This is undeniable; but it should not be forgotten that the potential for increasing risk-adjusted returns in the public sector of the industrialised world is also very great.

One lesson of the British privatisation programme is certainly that policymakers tend to underestimate the scope for efficiency gains at the time of privatisation. The dynamic effects that come from the introduction of market discipline into hitherto protected industrial structures are far reaching. The phenomenon may also result in a pattern of capital flows that diverges sharply from that suggested by the global distribution of payments imbalances.

There may be advantages, too, for continental Europe in the more active equity markets that will result from privatisation. The merits of takeovers in bringing about industrial restructuring remain controversial. But a deeper secondary market is a magnet for external portfolio funds and thereby helps reduce the cost of domestic capital.

Late payment

Are late payments such a problem for European companies as to threaten the economic recovery now under way? The European Commission thinks so. It has just produced draft recommendations to EU governments that companies which pay bills late should suffer statutory penalties. The practice, it says, jeopardises cross-border trade and the single market.

According to the Commission, the average time between delivery of goods or services and payment has steadily lengthened to an EU average of 66 days last year. The Commission blames recession for encouraging the practice, but says that companies are not relinquishing the habit during recovery.

Its main proposal is that companies should have a statutory right to interest at commercial rates on the overdue payment. It also wants court procedures for seeking redress to be simplified. The recommendations are not legally binding and do not require members' approval, but may be followed by a directive if the next two years bring no results.

The plans have provoked opposition, notably from the UK, which has one of the worst records on late payment, but have also been welcomed by small businesses which suffer particularly from unexpected shortfalls in cashflow. But it is not clear that the proposals will achieve the desired effect.

Many EU member countries already give companies a statutory right to interest on late payments. Although these countries have better payment records than the UK, delays are still considerable, and appear to have lengthened recently. Moreover, companies in these countries typically agree longer credit periods, and the Commission plan could encourage that to become widespread. Nor is it clear that action at EU level is warranted: the Commission has not convincingly established its starting point that the practice threatens cross-border trade.

What is needed instead is a range of less drastic measures by member countries and by companies themselves. Clearer contracts, better ways of checking the creditworthiness of customers, and easier access to annual accounts of foreign companies would all help companies reduce credit risk. Europe-wide legislation, however, is not the answer.

African compact

The warning signals from Africa are ominous. New tensions surface, and old conflicts continue. The burdens of natural and man-made disasters, crippling debt and enervating disease have become intolerable. Yet, as Africa's plight has become more acute over the years, the international response has tended to be belated and poorly co-ordinated.

Spasms of compassion have taken the place of pre-emptive action. Hastily planned operations in Somalia and Rwanda have not been sustained. Other states in need of help, such as Sierra Leone, have been abandoned.

Western policy has been damaged by allowing the principle that aid should be linked to good governance and human rights to be influenced by short-term expediency. In Kenya, the country's first multi-party elections for over 20 years were flawed, but nevertheless won international endorsement. Elsewhere, the principle seems negotiable: a multi-party poll was a precondition for resumption of normal aid to Kenya, but not for Uganda.

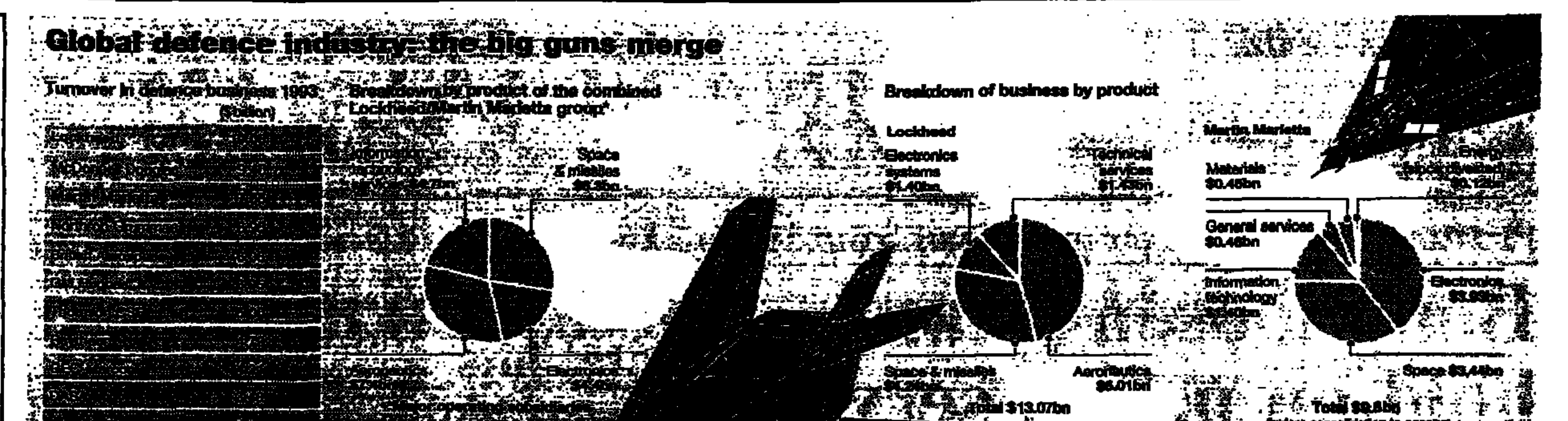
Nigeria is the latest test of the international community's willingness to assist an African country in distress, before pictures of disaster appear in western living rooms. Although the US was sufficiently concerned to have sent an emissary to Lagos, Jesse Jackson was thought too close to former military leader General Ibrahim Babangida, and to Chief Moshood Abiola, the jailed opposition leader, to play honest broker. As for the UK, it emerges with no credit, for it has not seen fit to send a foreign office minister to assess a crisis which could destabilise the region.

Western powers may have assumed prominent roles in Somalia and Rwanda, but they have failed to meet responsibilities elsewhere: in Zaire, for example. The west must even bear some responsibility for the resumption of the Angolan civil war after the 1992 election. Namibia's transition to independence under UN monitors required some 6,000 personnel, while Angola had to make do with barely 600.

Africa's problems are complex and daunting. But the west can act sooner, do more and perform better. The continent's plight requires a more effectively co-ordinated and longer-term effort. The disarray in the ranks of donors and aid agencies must also end.

The way influential charities – such as Oxfam and Christian Aid – the Economic Commission for Africa and other UN agencies are at odds with the World Bank over reform policies is profoundly damaging. Yet there is more common ground than seems to be the case. The need for radical debt relief, greater attention to the impact of reform on the poor and strengthened management capacity, are concerns common to all.

More than 10 years ago, the World Bank called for "a new kind of social compact, an agreement within the world community that the struggle against poverty in Africa is a joint concern". Such a compact is now urgent. Without it, Africa's crisis could become a catastrophe.



Joint manoeuvres aid the defence

Bernard Gray explains the motives behind yesterday's merger of US companies Lockheed and Martin Marietta

Mr Dan Tellep, chairman of Lockheed, the US aerospace company, was adamant recently that defence companies would have to take the opportunities which came their way in their search for consolidation. "Everyone is looking at everyone else, we have to be flexible," he said.

At about the same time, Mr Norman Augustine, chairman of another aerospace contractor, Martin Marietta, observed that "huge cost savings are achievable [from rationalisation]".

In a New York hotel room on Monday night they put those ideas into action in a merger between the two companies which will create the world's largest defence business.

The deal reflects the philosophies of the two men. Faced with a tough climate in the defence industry – US equipment spending has fallen by two-thirds in real terms over ten years – both have been leading the consolidation of the sector. Both are clear that the best way to survive the savage cutback of US equipment procurement is to be as lean, mean, and as large as possible.

The new company, Lockheed Martin, will certainly be big and well placed to take on competitors. It will have sales of $23.5bn, making it only slightly smaller than aircraft manufacturer Boeing. And after paying tax, interest and dividends, the combined company will generate $4bn-$5bn in cash over the next five years to spend on investments or acquisitions. The company will make the F-16 and advanced stealth F-22 fighters; the C-130 Hercules transporter; the Trident II, Hellfire II, Patriot and Titan missiles and space launchers; military satellites and a wide variety of avionics and airborne electronics equipment.

Yet for all the impressive array of products, there is comparatively little overlap between the two merged companies. Lockheed has traditionally been an airframe manufacturer, while Martin Marietta has concentrated on electronics systems and missiles. In an ideal world the cost savings would have been greater if each had merged with a company in its own field, but that is unlikely to worry either chairman.

Both companies have already seen the need for consolidation in their own specialities. Lockheed helped to rationalise the combat aircraft business when it bought General Dynamics' F-16 fighter plant last year. Now with fewer possible mergers around, Mr Tellep stresses the art of the possible when looking for partners. In an industry when aggressive bids are rare, the need is to find companies which can make mergers work, rather than where the overlap is greatest.

Similarly, Martin Marietta added to its space businesses when it bought operations from General Dynamics and conglomerate General Electric. However, Mr Augustine thinks that there are plenty of overheads and duplicated costs which can be cut out from defence companies even when the overlap between their operations is small. Only in the two companies' space and missiles businesses is there scope for large-scale synergy.

Apart from integrating space and missiles, the merged company's first priority will be to cut central costs. Perhaps chillingly for those who work there, the new company has already listed the opportunities for consolidation: the two headquarters (there will be just one at Martin's site in Bethesda near Washington DC); central functions such procurement, property, information services and treasury; the 50m square feet of manufacturing and office space; and the $750m of joint annual research and development spending and $500m of capital investment.

Lower costs are one rationale for merger, but the chemistry between the top managers in the two companies also helped bring about the deal. Mr Tellep is the quieter, watchful strategist who complements Mr Augustine's extrovert wit and wisdom. Each has already matched canny purchases with tough cost cutting and has kept shareholders happy. At 62 Mr Tellep is the senior figure who will slip naturally into the chair, yet will also retire early enough to give Mr Augustine, who is 58, a good crack of the whip.

Besides, the US defence industry is currently like a game of musical chairs where the number of spare seats is rapidly diminishing. Martin Marietta tried and failed to buy aircraft-maker Grumman earlier this year when it was snapped up by the Californian aerospace company Northrop. There is a growing feeling that if companies do not find acceptable partners soon, they may be too late.

This is despite the strong rise in the price of defence company shares since the process of rationalisation in the US defence industry began three years ago. Some felt that following the Northrop Grumman deal, mergers would slow because share prices had risen too much. It may be no coincidence that yesterday's deal will be financed by an exchange of shares rather than as a cash bid – cutting out any bid premium which might otherwise have been paid.

Other defence companies feeling that they are too small to survive will not feel any more comfortable as a result of this deal. The tightening ratchet of rising share prices and reducing merger options has moved up another notch.

There were, then, strong financial and management incentives behind the merger. Still, for all that the deal has a sharply defensive air. It might have been more natural for Lockheed to have merged with Boeing or McDonnell Douglas, as they are in the airframe business too. Yet both are larger than Lockheed and it would have been difficult for Mr Tellep to cut a deal on equal terms.

Similarly, Martin Marietta has more in common with missile-makers Hughes or Raytheon, but Mr Augustine would have found it hard to strike a deal with General Motors, Hughes' owner, that would have enhanced his position.

Thus there is a sense in which yesterday's deal was the result of threats faced by the companies – rather than the opportunities ahead. The most obvious threat is the squeeze on defence spending. Equipment purchases likely to fall further in the next few years and, according to Bankers Trust, a US bank, the number employed in the US defence industry will fall by a further from 800,000 to 500,000 by 1997. Yet much of the retrenchment has already been completed, and defence contractors are now generating strong cash flows.

A newer threat came from the US deputy defence secretary, Mr John Deutch, last week, when he called into question a whole array of next-generation weapons. They included the hitherto-sacred $71bn F-22 air superiority fighter programme, in which Lockheed has a two-thirds stake, and the Comanche helicopter, which has electronics supplied by Martin Marietta. If any of these programmes are cancelled or delayed substantially, the defence squeeze may force many more companies from the field.

There is also the financial threat from the stock market. So far cost-cutting defence companies have been favourites with institutional investors. But the strong cash flow they have generated may also attract corporate raiders keen to sell off bits and pocket the growing cash mountains.

Whatever the prime motives, there is little doubt that the US defence business will emerge with fewer stronger players from the current bout of mergers. That should give manufacturers in Europe pause for thought. With mega-deals between the largest US contractors happening two or three years before most pundits predicted, European companies have even less time than thought to rationalise their operations if they are to remain competitive.

However, the political barriers to European consolidation will remain. And squabbles in coming months over national workshares on projects such as the Future Large Aircraft and Eurofighter 2000 will make the European industry resemble a three-ring circus more than the leaner US fighting machine.

Pentagon policy is encouraging companies to restructure, say **Bruce Clark** and **George Graham**

A prize for paring

One of the first questions facing the bosses of the defence giant created yesterday will be how much money they can reasonably demand from the Pentagon as "reward" for their contribution to streamlining the industry.

For the past year the Pentagon has followed a controversial policy of subsidising restructuring moves in the overcrowded defence sector by passing back to industry a share of the benefits that accrue to the public purse.

At least in theory, one the first beneficiaries of the industry's efforts to cut costs should be the Pentagon and hence taxpayers. The Pentagon has acknowledged this by being prepared to pass back to the companies involved a part of the benefit it receives when arms makers are able to quote lower prices for their products as a result of streamlining.

The onus is on the companies to provide the Pentagon with detailed evidence that they can deliver particular weapons more cheaply as a result of reduced overheads. But when mergers or acquisitions are planned, the chances of a reward have become an important part of the financial calculations.

Mr Norman Augustine, chairman of Martin Marietta, has been one of the most prominent advocates – and beneficiaries – of the Pentagon's policy, whose architect is Mr John Deutch, the deputy secretary for defence.

The policy has its critics on the political right – which views it as interference with the market – and on the left, which accuses the administration of encouraging big lay-offs.

Mr Larry Korb, a former Pentagon official who now works for the Brookings Institution think-tank, is one of the harshest right-wing critics of the policy. He believes that on the basis of past "rewards", the giant corporation created yesterday could ask the Pentagon for about $1bn in help with restructuring costs. Other experts are expecting a much lower figure.

Mr Korb maintains that the Pentagon should respond sceptically, and is dismissive of arguments from Mr Deutch that the policy promotes rational streamlining. "Who is to determine what's rational other than markets?" he asks.

However there are some observers who see the Pentagon's policy as the only alternative to a disastrous free-fall in the sector.

"You either have managed downsizing this way or you have unmanaged downsizing, which is essentially companies going out of business," says Mr Richard Bitzinger of the Defense Budget Project, a Washington research group.

However, the fact the Pentagon is prepared to encourage mergers does not mean that it has abandoned all concerns about anti-trust issues. There was disappointment in the US defence industry last spring, when the Pentagon, in a review of anti-trust procedures, pointedly avoided calling for any special treatment for the sector.

Anti-trust enforcement officials at the Department of Justice and the Federal Trade Commission have traditionally been reluctant to treat defence companies any differently from civilian manufacturers.

They have successfully challenged mergers such as the proposed acquisition in 1992 of Olin Corp's ammunition division by Alliant Techsystems, on the grounds that the deal would create a monopoly supplier of certain shells and ammunition.

But in practice, few defence mergers have been blocked. Some industry experts say the Alliant-Olin link-up was a transparent attempt to merge preemptively so that the two companies would not have to bid against each other on a large ammunition contract that was known to be imminent. Anything less blatant than that has generally escaped challenge.

"Defence is special. But we also concluded that it is not so special that current law and guidelines ought not to apply," said Professor Robert Pitofsky, an anti-trust expert.

As a monopsony or single buyer, the Pentagon has the clout to look after its own interests, and its use of subsidies is an example of this.

In the case of Lockheed and Martin Marietta, there is, in fact, remarkably little overlap of the kind to raise anti-trust concerns except perhaps in the field of satellites. "Other than that [satellites], I don't see any difficulties in big [weapons] platforms," says Mr Erik Pages of Business Executives for National Security, a Washington defence think-tank.

The real anti-trust dilemmas for the US defence industry will emerge at a later stage in the down-sizing of the sector, a process which shows no sign of abating.

OBSERVER

Over to Hills

■ So has 63-year-old Roderick Hills, chairman of the Securities & Exchange Commission in the mid 1970s, found a resting place at last?

Hills and wife Carla, President Bush's trade negotiator, have found a new stable. Both have become partners of the Washington office of Mudge Rose Guthrie Alexander & Ferdon, where Richard Nixon once practised. As well as being another name to add to his immense biography, it has a solidly international practice. Let's hope it works out better than his last two sojourns.

In 1989, Hills had turned up at Donovan Leisure as managing partner of the DC office. "They really did need help" he recalls. Trouble was, Hills was also engaged in a regulatory job at Drexel Burnham Lambert, clearing up after the junk bond saga. In due course it emerged that his new legal colleagues were representing some of the Drexel employee partnerships that had invested in the junk bonds.

So in 1992 Hills headed off to posh New York firm Shea & Gould. Oh no! Two years later, "they (the firm) decided to commit suicide" and he and Carla, who was also aboard by this time, were seeking fresh challenges. Shea & Gould's break-up was blamed on squabbling between partners over a multitude of problems including succession.

But there were whisperings anyway that the Hills' energetic expansionary efforts overseas were less than fully appreciated.

If Mudge Rose is curious as to how the competition conducts, or conducted, itself, they now have a resident expert.

Stand and deliver

■ Wow. The Alliance & Leicester building society has become the first of its kind to release interim profit figures on a *voluntary* basis.

Peter White, A&L's chief executive, said his society had taken this historic step to be in line with best practice and to improve accountability to its members. No doubt. It may also be intended to impress upon the Treasury, which is about to launch a consultation paper looking at how societies might be made more accountable, that mutual organisations already have their members in mind.

This extra information is welcome. But if A&L was really keen to impress on its customers the benefits of membership, it could revive an old building societies' tradition and pay them a dividend. One to watch for the full-year results perhaps?

Desperate Dan

■ Can former US vice president Dan Quayle really be thinking about running for the presidency on the Republican ticket in 1996?

'He's started taking steroids'

CNN reckons that Quayle, currently employed as a corporate lawyer in Indianapolis, has decided to run after brisk trade in his autobiography, Standing Firm. Maybe it's all a mistake – which it could well be, going by past experience. Quayle it was who once advanced the theory that only Republicans understood the importance of bondage between children and parents. He famously insisted 'potato' was spelt 'potatoe'. Indeed, he notched up enough gaffes to sustain a journal called the Quayle Quarterly, to which US citizens could subscribe in order to catch up with all his latest mishaps.

"Then again, any politician who is so despised by the liberal media can't be all bad. Who knows, two years from now, maybe American voters will crave a little dumbness.

Mickey-take

■ "Who's the leader of the club we all want to join? M-I-C-K-E-Y M-O-U-S-E," runs the jingle. Just don't hum it too loudly on Japan Airlines.

Plagued by poor earnings, JAL this summer launched a Disney campaign, daubing three of its aircraft in Disney characters and showing Disney films to befuddled passengers. Its air hostesses – average age 31.2 years – were required to dress up as Minnie Mouse, including those distinctive outsize black ears.

They didn't much like that. Some even had the nerve to say they felt like Bunny girls. Wrong rodent, surely? Anyway, their union has now wrung a concession from management.

In an effort to stem the squeaking, the hostesses are now being given Minnie Mouse aprons, "to make wearing the head gear easier." Terrific.

Top cat

■ Hello, hello. Sounds of more headbanging at Société Générale de Surveillance, the Swiss blue chip which prides itself on being the world's largest trade inspection and testing organisation.

Elisabeth Salina, the beautiful and determined chairman, has sacked her chief executive, former Perrier boss Thierry Chéreau, less than two years after she brought him in to help sort out the business.

His appointment had always looked a bit odd. SGS was still recovering from a nasty boardroom battle in 1989 when Salina, then only 34, had headed a posse of younger founding family members that won back control of the board. Many observers were surprised that she brought in Chéreau rather than become chief executive herself.

Salina is now abolishing the position of chief executive claiming SGS has become too complex to be run by one person, and is creating an executive board.... which she will chair. She hopes potential successors will emerge in the next five years, so she can withdraw again.

Don't hold your breath.

Dressing down

■ Australian prime minister Paul Keating's attempts to see more women in important places looks in danger of being misinterpreted. Previously awarded high marks for his efforts on behalf of women, not least through the Office of the Status of Women, he is hosting a reception next week marking the OSW's 20th anniversary. Dress code for the event: "Lounge suit, short dress".

FINANCIAL TIMES
Wednesday August 31 1994

Private sector to deliver mass mail from 1995

Bonn loosens state's hold on postal services

By Christopher Parkes in Frankfurt

Germany's state postal monopoly was weakened further yesterday by an agreement to let private companies deliver shopping catalogues, magazines and advertising material.

Mail order company costs – and the volume of domestic letter post handled by the federal service – could eventually be reduced by up to 30 per cent.

The first licences will be distributed before the end of the year among the 67 private companies which have already applied, said the economics ministry.

The move is a compromise in a tussle between the economics and postal ministries, and was reached yesterday following the intervention of Mr Friedrich Bohl, senior minister in Chancellor Helmut Kohl's office.

Under the deal, private mass-mailings of 1,000 or more items weighing more than 250g will be allowed from next January. One year later the weight limit will be lowered to 100g.

The BVH mail order industry association said it was disappointed by the 250g restriction, claiming only a third of its annual mailings could go through private distribution channels for the first year. It also wanted legally binding assurances that the limit would be lowered to 100g on time.

However, the compromise marks a successful end to the association's lobbying. Mail order companies, which have already registered a joint venture private postal company, AZD, will be the earliest beneficiaries.

During their three-year campaign they claimed complete liberalisation would help reduce their annual postage bill of DM1bn ($600m) by 20-30 per cent. They also countered warnings that 30,000 federal postal service jobs were at risk with claims that the private delivery system would generate 25,000 places.

The state Infopost service, which at present has a monopoly on mass mailings, last year contributed around DM4.5bn to the state post office's total turnover of DM28bn.

The reform is one of the most important liberalisation measures yet in the postal system, and follows the post office's recent award of a contract to the TNT transport multinational to manage a network of 33 new parcel post freight centres under construction at a cost of DM4bn.

Despite facing private competition in parcel deliveries for almost 20 years, the state service still has a 26 per cent share of the domestic market.

Other moves under way include the replacement of 500 single-counter official post offices with licensed agencies in private shops and petrol stations. Efforts to counter the erosion of the workforce include a project to offer companies a comprehensive mail delivery service in which post will be delivered to individual offices.

The shake-out precedes the first stage of privatisation of the postal service, scheduled for 1998, under which the government will offer for sale 25 per cent of its shares in Deutsche Post, a new joint-stock company embracing all activities of the state concern, to be established next year.

Japanese jobless total hits 7-year high

by William Dawkins in Tokyo

Japanese unemployment rose to a seven-year high of 3 per cent in July casting a shadow over an already weak economic recovery.

The increase from 2.9 per cent in June makes it more likely that the jobless rate will rise above its 1987 record of 3.1 per cent. The job situation will remain "severe" even if the economy picks up, warned Mr Kozo Igarashi, chief cabinet secretary.

The trend puts more pressure on the coalition government, led by the Socialist Mr Tomiichi Murayama. His chances of lifting its low popularity depend on delivering an economic recovery.

Japanese unemployment remains low by comparison with the 6.1 per cent in the US, yet any rise provokes a fresh round of public agonising over Japan's ability to uphold the tradition of job stability.

Corporate Japan's drive to cut costs by shifting production to cheaper locations in south-east Asia and cutting domestic recruitment are main factors in the increase in joblessness.

Tokyo economists do not believe the unemployment rate will significantly exceed 3 per cent, yet this latest rise is a worry for the government. Mr Ryutaro Hashimoto, minister of international trade and industry, called for the creation of more temporary jobs, which would be helped by fewer restrictions on personnel agencies.

The number out of work rose over the year to July to 1.88m. Of those in work, the number of salaried employees fell by 20,000, the first decline in 16 years and a sign of corporate cost-cutting.

At the same time, the overall labour market has weakened, which is the chief reason for the government's gloom over the outlook. There were only 62 jobs available for every 100 people seeking work in July, the third consecutive monthly decline.

The figures confirm the poor job outlook for the latest batch of university graduates, who account for most new entries to the job market. The job seekers' ratio is at its lowest point since January 1987, when the economy was reeling, as now, from a rise in the yen. A further decline in the ratio is expected, Mr Dick Beason, senior economist at James Capel Pacific, says.

Global investment surges after two years of decline

By Frances Williams in Geneva

Global investment surged last year after two years of decline, according to the latest World Investment Report compiled by the United Nations Conference on Trade and Development. Developing nations attracted record investment flows.

Worldwide flows of foreign direct investment (FDI) were $195bn in 1993, up from $171bn the previous year but below the 1990 peak of $232bn. However, FDI flows into developing countries rose sharply, and last year's $80bn total was twice 1991 levels.

China was the target for much of the increase with FDI last year of $26bn, up from $4.4bn in 1991, making it the second largest FDI recipient after the US.

As a result, foreign affiliated ventures were estimated to account for more than a quarter of China's exports of $92bn last year, compared with 9 per cent in 1989.

Unctad points out that most FDI inflows to developing nations "are still concentrated in 10-15 host countries, overwhelmingly in Asia and Latin America". The world's poorest countries receive little FDI – a meagre $300m in 1993 – and their share has been declining.

However, fears that eastern Europe would corner FDI that would otherwise have gone to developing countries were unfounded, the report says. Inflows into eastern Europe in 1993 were only $5bn, about the size of the flow to Mexico, and the estimated FDI total in the region has reached some $13bn, which is little more than that of Thailand.

Among industrialised countries, the US has regained its position as the most attractive investment location, with FDI inflows of $32bn in 1993. It is also the largest source of FDI, investing a record $50bn abroad last year.

Within the European Union, Britain is again the most popular investment destination, and the second biggest investor worldwide. Outflows from Japan, however, have shrunk dramatically from $48bn in 1990 to $12bn last year, reflecting the impact of recession and the sharp fall in Tokyo share prices.

The FDI surge means the influence of multinationals in the world economy continues to expand, Unctad says. The report said about 37,000 parent companies with more than 200,000 foreign affiliates owned over $2,100bn in overseas assets in 1993 and controlled as much as a third of world output and trade.

Markets freed to attract investors, Page 4

THE LEX COLUMN

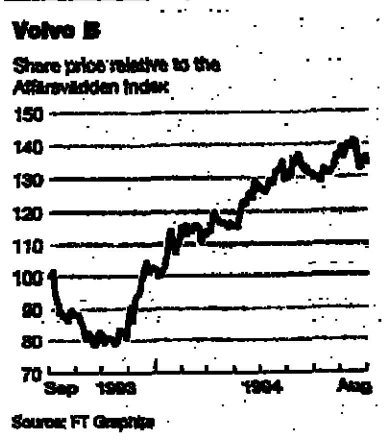
Allied forces

Europe's defence industry has been set a challenge by the planned $10bn (£6.4bn) merger between Lockheed and Martin Marietta. Lockheed Martin will not simply be a giant. The merger also marks an intensification of the trend to create a lean US defence industry better able to win orders in international markets. In the past, it may have been possible to argue that US armaments were over-engineered and uncompetitive, so dependent had companies become on soft Pentagon contracts. But the industry has reacted determinedly to the end of the cold war by shedding staff and merging facilities. Lockheed and Martin Marietta were important agents of change even before yesterday's deal.

Much of the activity so far has involved horizontal integration. This was the case in Northrop's $2bn takeover of Grumman in April. The Lockheed Martin merger, by contrast, is partly about vertical integration. An aircraft manufacturer is being linked with the world's largest producer of aerospace electronics. The point will not be lost on Britain's GEC-Marconi, which has long considered a vertical merger with British Aerospace.

Lockheed Martin must still receive US antitrust approval. But this hurdle is relatively low by comparison with the problems European defence groups face in knocking their industry into shape. Continued concerns over national sovereignty have virtually ruled out large cross-border takeovers and, instead, encouraged messy collaborations like Eurofighter. But stepped-up restructuring in the US means that the European approach to rationalisation looks increasingly like an unsatisfactory half-way house.

FT-SE Index: 3249.6 (-15.5)



Source: FT Graphite

Lonrho

Mr Tiny Rowland will have his work cut out to justify the £5.5m-plus he costs Lonrho each year in salary, expenses and other costs under his direct control. The issue is not so much that the Lonrho joint chief executive's £1.2m pay-packet is excessive. It is rather that his expense account for items such as up-keep of his two homes and the company's private jet looks high in relation to group's pre-tax profits of £172m last year.

One could still defend the costs if they provided value for money. Mr Rowland must, for example, entertain his business contacts and jet around the world visiting Lonrho's far-flung trading operations. But this line of defence would be easier to hold if Lonrho's financial performance was good. In fact, the shares have been a poor investment since the late 1980s.

Mr Dieter Bock, the other Lonrho chief executive, seems intent on using the issue to wrest full executive control of the group from Mr Rowland. While many question Mr Bock's ability to squeeze more profit out of Lonrho's operations, his plans to "normalise" the group's relations with the City have been welcomed by most shareholders. This should give him the edge if, as expected, directors at Thursday's board meeting are asked to choose which of two warring chief executives to back.

Argyll

The £19.7m Argyll raised from the sale of 151 Lo-Cost and Presto stores may look modest when set against their £150m of turnover. But to realise more than asset value is a satisfactory result given the tough conditions small discount stores now face. The superstore groups, including Argyll's Safeway, have responded very effectively to the increased threat from the discounters as the problems of Shoprite show only too clearly. Kwik Save is having to work hard to grow sales and the continental European newcomers are thought to be finding the pickings less easy than they imagined.

The going is particularly tough for the smaller shops, and the fact the Lo-Cost outlets are to be converted into the Spar convenience format reflects the view that, at an average of 2,100 square feet, they are no longer big enough to succeed as discount stores. Argyll's remaining Lo-Cost outlets are more than twice the size and can be expected to fetch better prices.

The problem for the smaller stores was that they did not have the range, particularly in fresh foods, to compete with the new breed of convenience stores. Groups like Watson & Philip and T&S Stores are bringing to convenience shops the technology now standard in larger supermarkets. Thanks to the huge changes in retailing systems in recent years, Tesco argues that it can now make money out of much smaller units. But they are unlikely to become more than a sideshow for the leading chains while the returns from superstores remain so attractive.

Volvo

Volvo looks in much less of a bind than when the doomed merger with Renault was proposed last year. Yesterday's half-year figures show the impressive impact of higher car and truck sales on profits. Since Volvo's main markets – the US, UK and Sweden – are recovering early, that could be a taste of things to come from other European manufacturers. The weakness of the krona has also sharpened Volvo's competitive edge. Shareholders who argued that the merger seriously undervalued Volvo must be feeling a warm glow of satisfaction, not least because the shares have outperformed the Swedish market by 30 per cent this year.

More importantly, the balance sheet has been restored to good health without the rights issue that was threatened if shareholders rejected the merger option. With its stakes in Renault and Pharmacia – and the BCP consumer product business – still to go, Volvo should have more than enough cash to develop its next generation of cars and trucks without a partner.

The lingering doubt is whether Volvo has sufficient market clout on its own to earn a decent rate of return on this investment. Although it has been gaining market share, the suspicion remains that Volvo sells too few cars to be sure of making an attractive return. The disposals programme merely buys time in which the question of alliances can be revisited. Until Volvo comes up with a convincing answer, though, it looks like a riskier investment than its stronger competitors. On a multiple of around seven times next year's forecast earnings, higher than the best of the US car giants, it is now difficult to argue that Volvo is cheap.

Concessions denied

Continued from Page 1

advised IRA leaders to consider halting their armed campaign. Senior Ulster Unionists appeared last night to have accepted London's assurances, with Mr James Molyneaux, the UUP leader, expressing confidence the government had no plans to change Ulster's constitutional position. But the Rev Ian Paisley, leader of the hardline Democratic Unionist party, warned angrily that a ceasefire achieved through the surrender of the British government could be "a recipe for civil war".

Early indications from Protestant paramilitary groups suggested that they were determined to continue their armed campaign even if the IRA lays down its weapons.

Rowland under threat

Continued from Page 1

nies are required to seek permission from the Bank of England before "parting with . . . investments to . . . a Libyan person". It is understood that the Bank's permission was not sought in this case.

According to a Financial Times analysis, the £5.5m costs include:

- Mr Rowland's salary of more than £1.2m;
- Lonrho's Gulfstream private jet, used almost exclusively by Mr Rowland, costing about £2m a year to run;
- More than £300,000 for employees who work directly for Mr Rowland.

A 51 per cent majority of the 13 Lonrho board members would be required to strip Mr Rowland of his executive status.

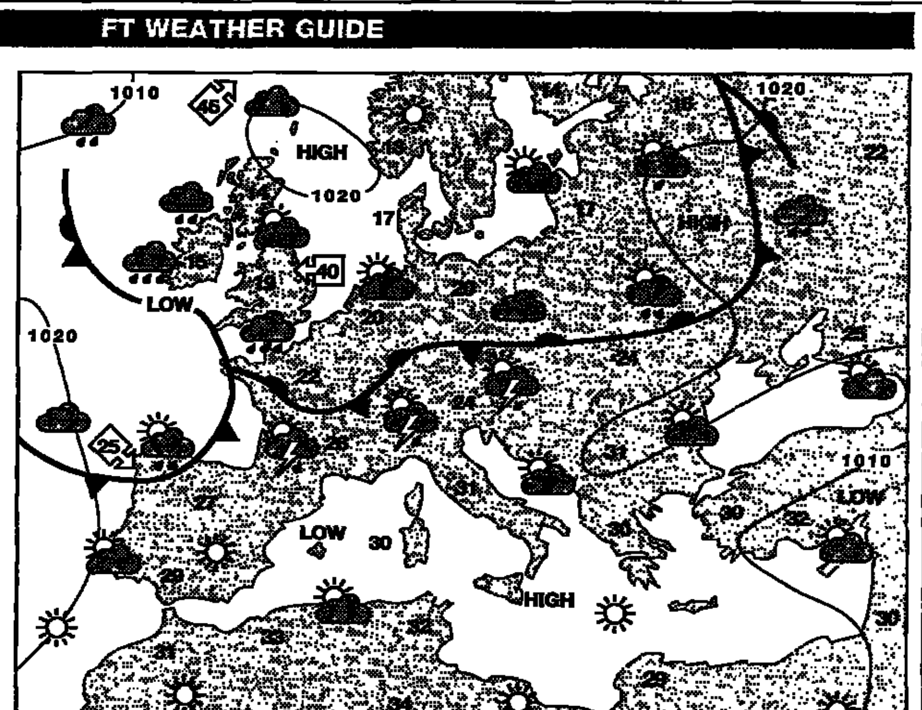
FT WEATHER GUIDE

Europe today

North-west Europe will be dominated by a high pressure system over the northern North Sea. Therefore, sunny spells are expected in Norway and southern Sweden, although temperatures will remain rather low. Northern Scandinavia will have showers. More cloud will cover Denmark, the Benelux and the western part of the UK. A depression south of the UK will cause widespread rain over large areas of the UK and western France. Thunder storms will erupt in southern France, the Alps and the northern Balkans. Rain is also expected in Russia along a frontal zone connected with the depression south of the UK. The Mediterranean will continue sunny and warm.

Five-day forecast

Pressure will remain high over Scandinavia during the next couple of days. As a result, most areas will be sunny and dry. Meanwhile, the low pressure system over the Channel will move north-east. This low will produce rain and showers, first in the Benelux, then in Germany, Poland and Russia. During the weekend, a ridge of high pressure will bring more sunny periods and higher temperatures.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	30	Caracas	fair	31	Faro	sun	27	Madrid	fair	29	Rangoon	cloudy	31
	Celsius		Belfast	rain	16	Cardiff	rain	16	Frankfurt	fair	22	Majorca	sun	31	Reykjavik	cloudy	11
Abu Dhabi	sun	43	Belgrade	sun	31	Casablanca	sun	24	Geneva	fair	24	Malta	sun	30	Rio	fair	25
Accra	fair	28	Berlin	fair	21	Chicago	cloudy	20	Gibraltar	sun	27	Manchester	cloudy	18	Rome	fair	29
Algiers	sun	33	Bermuda	fair	32	Cologne	fair	20	Glasgow	shower	16	Manila	shower	32	S. Frsco	sun	23
Amsterdam	fair	18	Bogota	cloudy	27	Dakar	fair	29	Hamburg	fair	17	Melbourne	fair	19	Seoul	fair	29
Athens	sun	30	Bombay	rain	30	Dallas	fair	36	Helsinki	fair	16	Mexico City	sun	35	Singapore	cloudy	30
Atlanta	fair	32	Brussels	fair	19	Delhi	fair	34	Hong Kong	fair	31	Miami	thund	33	Stockholm	fair	17
B. Aires	shower	15	Budapest	fair	27	Dubai	fair	43	Honolulu	fair	32	Milan	shower	25	Strasbourg	fair	23
B.ham	rain	16	C.hagen	fair	17	Dublin	rain	16	Istanbul	fair	25	Montreal	fair	20	Sydney	fair	20
Bangkok	cloudy	33	Cairo	fair	33	Dubrovnik	sun	28	Jakarta	fair	31	Moscow	shower	17	Tangier	fair	27
Barcelona	fair	27	Cape Town	cloudy	26	Edinburgh	shower	16	Jersey	rain	17	Munich	shower	23	Tel Aviv	sun	33
									Karachi	rain	32	Nairobi	fair	27	Tokyo	fair	31
									Kuwait	sun	43	Naples	fair	31	Toronto	rain	21
									L. Angeles	sun	27	Nassau	fair	31	Vancouver	fair	21
									Las Palmas	sun	25	New York	shower	22	Venice	shower	26
									Lima	cloudy	19	Nice	shower	26	Vienna	shower	25
									Lisbon	fair	23	Nicosia	sun	35	Warsaw	fair	21
									London	fair	19	Oslo	fair	16	Washington	rain	29
									Lux.bourg	fair	20	Paris	shower	22	Wellington	fair	21
									Lyon	thund	25	Perth	cloudy	15	Winnipeg	shower	15
									Madeira	fair	26	Prague	shower	22	Zurich	thund	22

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday August 31 1994

IN BRIEF

Alusuisse-Lonza doubles at interim

Alusuisse-Lonza, the Swiss aluminium, chemicals and packaging group, almost doubled net income in the first half to SFr95m ($72m), and forecast a similar increase in the second half. Page 16

Incentive rises 45%
Incentive, the Swedish industrial and investment group, reported a 45 per cent increase in underlying first-half profits to SKr395m ($50.6m), reflecting improved market conditions and greater efficiency. Page 16

South African coal groups to merge
Two of South Africa's biggest coal companies, Trans-Natal Coal and Randcoal, plan to merge, creating the world's third largest privately owned coal producer. Page 17

Metals group sells Canadian stake
Metallgesellschaft, the German metals and engineering group, is to raise almost C$460m ($336m) from the sale of its controlling stake in Metall Mining, the international mining group based in Canada. Page 17

NEC raises its forecasts
NEC, the Japanese electronics company, revised upwards its parent company and consolidated sales and profits forecasts for the year to March 1995, mainly because of firm demand for its semiconductors and personal computers. Page 18

CRA falls at half-year
CRA, the Australian mining group in which Britain's RTZ holds a 49 per cent stake, announced an after-tax profit of A$296.6m (US$221m) in the half-year to end-June, down from A$360m. Page 18

Heron sells off trading arm
Heron International, which is moving into the final stages of a proposed buy-out by Mr Steven Green, the US investor, has sold one of its last two trading businesses, Heron Distribution. The deal leaves Mr Gerald Ronson's once diverse Heron group with its car dealership, a property portfolio, and a mountain of debt. Page 20

Quebecor bids for HunterPrint
Quebecor, the Canadian publishing and forestry group, is considering making an offer for HunterPrint, the loss-making UK printer. Page 20

Jefferson Smurfit strengthens in Europe
Jefferson Smurfit, the Irish packaging company, is injecting I£20.5m ($31m) into an Austrian paper producer to strengthen its hold on the European corrugated market. Page 22

Macfarlane Group sees upward trend
Macfarlane Group (Clansman), the UK packaging group, raised pre-tax profits almost 33 per cent in the first half. Lord Macfarlane of Bearsden, chairman, said the economic climate "had gently been getting better" and that the trend was still upward. Page 22

Falconbridge union rejects offer
A pay and conditions offer by Falconbridge of Canada, the second biggest western nickel producer, has been rejected as "unrealistic" by the workers' union. Page 24

Companies in this issue

AT&T	17	Israel Fund	20
Air France	16	Karstadt	16
Alliance & Leicester	22	Kaufhof	16
Alusuisse-Lonza	16	Lindner Licht	16
American Airlines	15	Lion	18
Argyll Group	16, 25	Lockheed	1
Astec (BSR)	20	Lombard Insurance	20
Axel Springer	16	London Finance Inv	22
Bank of Nova Scotia	16	Lonrho	15, 1
Bensons Crisps	22	Macfarlane	22
Bowater	20	Maid	22
British Petroleum	25	Manufacturer Life	17
Buckingham Intl	22	Martin Marietta	1
Burmah Castrol	25	Metall Mining	17
CRA	18	Metallgesellschaft	17
Cathay Intl	20	NEC	18
Clondalkin	22	Quality Street	22
Compel	22	Quebecor	20
Confederation Life	17	RJB Mining	22
Dixon Motors	20	Randcoal	17
EIS	22	Reliance Electric	15
Eastern Electricity	25	Roche	16
Euro Disney	15	Seeboard	25
GE	16	SmithKline Beecham	20, 25
General Signal	15	Smurfit (J)	22
Guinness Peat	22	Southern Electricity	25
Henrich	22	Trans-Natal Coal	17
Heron Intl	20	United Airlines	16
Hunterprint	20	Verity	22
Incentive	16	Volvo	15
Inishtech	22	Wates Leisure	22

Market Statistics

♣Annual reports service	26-27	Foreign exchange	32
Benchmark Govt bonds	18	Gilts prices	18
Bond futures and options	18	Liffe equity options	Back Page
Bond prices and yields	18	London share service	26-27
Commodities prices	24	London tradl options	Back Page
Dividends announced, UK	20	Managed funds service	28-32
EMS currency rates	32	Money markets	32
Eurobond prices	18	New intl bond issues	18
Fixed interest indices	18	Recent issues, UK	25
FT-A World Indices	Back Page	Short-term int rates	32
FT Gold Mines index	Back Page	US interest rates	18
FT/ISMA intl bond svc	18	World Stock Markets	33
FT-SE Actuaries indices	25		

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Altana	695.5	+	10.6	Docks France	778	+	26
Hoechst	367.5	+	6.5	Ecco	700	+	18
Holzmann	938	+	22	Unibail	403.9	+	15.4
Lahmeyer	679	+	18	**Falls**			
Viag	509	+	12.5	Cred Fonc	976	–	29
Falls				Fonc Lyon	693	–	36
Rheinelek	1453	–	41.5	Nav Mix	940	–	16

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Lockheed	74½	+	8½	Chiyoda F&M	705	+	15
Loral	41⅞	+	1⅞	Dowa F&M	651	+	20
Litton Inds	39	+	1½	Hino Motor	962	+	20
Reliance El	25⅝	+	5⅝	NEV Corp	877	+	26
Falls				**Falls**			
Lotus Dev	41¾	–	1½	Calpis Food	955	–	15
Sun Micro	26⅛	–	1	Fyodo Shiryo	452	–	19

New York prices at 12.30pm.

LONDON (Pence)							
Rises				**Falls**			
Ayrshire Metal	103	+	5	Bensons Crisps	44	–	14
Barratt Dev	193	+	7	Body Shop Intl	205	–	13
Dixon Motors	205	+	14	Cardiff Prop	268	–	10
Domnick Hunter	250	+	14	Dawsongroup	353	–	12
Glenchewton	40	+	3	Euro Disney	110	–	7
Ingham	80	+	7	Hambro C'wide	45	–	3
Investment Co	49	+	5	Hunterprint	7½	–	1½
Magnum Power	43	+	4	Plantbrook	165	–	7
Silentnight	222	+	9	Tottenham Hspr	125	–	6
South West Wtr	570	+	20	Unilever	1146	–	23
Tinsley (Eliza)	113	+	11				
Upland Ind	133	+	7				

Volvo's interim profits pass $1bn

Recovery from recession and big capital gain confirm new board's post-Renault emphasis on motor vehicles

By Hugh Carnegy in Stockholm

Volvo, Sweden's biggest manufacturing company, yesterday reported a leap in first-half profits, confirming a recovery from recession that is fast banishing the memory of the breakdown last December of its plans to merge with France's Renault.

The group announced a pre-tax profit of SKr9.02bn ($1.17bn) compared with just SKr380m in the same period last year. The figure was inflated by a capital gain of SKr4.08bn, but underlying profits were still far ahead of the same stage last year, thanks to surging sales for Volvo cars and trucks, favourable currency movements and the benefits of restructuring.

Operating profits reached SKr4.47bn. This included a SKr849m contribution from BCP, the consumer products group fully taken over this year, but followed an operating profit in the first half of 1993 of SKr166m. Volvo said its second-quarter group operating profit of SKr2.5bn, up from SKr355m last time, was the highest in any quarter in Volvo's history.

The result will give the new board installed after the collapse of the Renault merger added confidence to push ahead with its plan to concentrate on motor industry operations and shed some SKr40bn worth of non-core assets – including BCP – built up under Mr Pehr Gyllenhammar, the former chairman who resigned last December.

Volvo also plans to sell its 28 per cent stake in Pharmacia, the drugs group.

The proceeds, combined with renewed profits flow, will help fund Volvo's big product development costs, especially in cars.

In a rare interview in a Swedish newspaper at the weekend, Mr Gyllenhammar bitterly criticised the new direction. But Mr Sören Gyll, Volvo's chief executive, yesterday underscored his commitment to the strategy and implied the board believed it had the full backing of the workforce.

"The streamlining of Volvo's structure that is now under way, combined with the group's marketing successes, is strongly boosting motivation", he said.

Group sales in the first six months jumped to SKr75.67bn from SKr48.8bn, partly due to a SKr10.1bn contribution from BCP and currency effects. But Volvo said underlying sales were still 30 per cent higher than last time.

Unit car sales were up 20 per cent at 189,000, with sales rising fastest in the US and Nordic countries, but sales were also ahead in Germany and Japan despite falling markets. Car sales rose to SKr36.55bn from SKr27.02bn and the car group swung to an operating profit of SKr1.47bn from a loss of SKr70bn.

In the truck division, unit sales were up 37 per cent to 32,400 thanks mainly to higher demand in Europe and Brazil. Sales rose to SKr24.23bn from SKr17.59bn and operating profits jumped to SKr1.77bn from SKr61m.

The capital gain stemmed mainly from the SKr2.6bn sale of Volvo's controlling holding in Cardo to Incentive, a Wallenberg family company. This, combined with strong internal cash flow, allowed Volvo to reduce net debt from SKr14.5bn at the end of 1993 to SKr900m at June 30.

Lex, Page 14
Incentive up 45%, Page 16

General Signal to buy Reliance

By Richard Waters in New York

General Signal, the US electrical equipment manufacturer, is set to double its sales with the all-stock acquisition of Cleveland-based Reliance Electric.

The deal, valued at $1.3bn, heralds a return to growth through acquisition at General Signal, which has spent most of the 1990s selling some of its businesses and reorganising others.

Both companies had sales of around $1.5bn last year, with General Signal reporting after-tax profits of $89m and Reliance $15m.

General Signal, based in Stamford, Connecticut, once had interests extending to semiconductors and transportation equipment but now specialises in process and electrical control equipment and telecommunications.

The acquisition marks the final chapter in the changing ownership of Reliance. Bought by energy group Exxon in 1980, the company was the subject of a leveraged buy-out in 1986 before being taken public in 1992.

Since then Citicorp, which backed the buy-out and owned almost half of the company's shares at one point, is thought to have taken its stake to below 20 per cent.

Reliance makes industrial motors, generators and transformers, and telecommunications equipment. Cost savings from merging the two companies' operations would lead to an immediate enhancement in earnings per share next year, said Mr Edmund Carpenter, General Signal's chairman and chief executive. The stock market remained sceptical and marked General Signal's shares down by $1¾ during the morning to $35½. In contrast, Reliance Electric's shares jumped $5⅝ on the news, to $25¼. General Signal said it would issue 0.739 of a share for every share in Reliance Electric, equivalent to about 37m new General Signal shares.

The merger would give the company "significant critical mass in our combined core businesses", Mr Carpenter said. Cost savings would come from combining purchasing operations, cutting overall general and administrative costs and merging individual operating units, he added. While it has shed many operations, General Signal has also completed 24 small "bolt-on" acquisitions in recent years to bolster its individual businesses.

American Airlines to cut annual expenses by $1bn

By Patrick Harverson in New York

American Airlines yesterday became the latest US carrier to embark on a severe cost-cutting programme with plans to reduce annual expenses by $1bn.

The big US airlines are suffering from damaging fare wars in their home market. Last year, AMR, American's parent group, reported a loss of $110m and recorded total operating expenses of more than $15bn.

A project to streamline the carrier's headquarters management and administrative staffs was unveiled yesterday by Mr Robert Crandall, chairman, who said the carrier wants to cut annual labour costs by $750m and other expenses by $250m.

He did not provide details on how the savings would be realised, but said that a team of executives will spend the next few months searching for ways to streamline management and staff support functions. American has been cutting its management payroll for the past two years, but believes further job reductions are necessary.

American is following other big US carriers which have all instituted programmes to lower their expenses. In July, United Airlines was acquired by its employees in return for wage cuts and other labour concessions worth $4.9bn. Delta Air Lines recently introduced a plan to carve $2bn a year out of its annual operating costs within the next three years, while USAir has plans to cut $1bn in its annual operating costs within the same period.

In spite of traffic growth and low fuel prices, the industry as a whole lost $2.1bn last year because airlines were unable to charge fares high enough to cover costs.

The key to American's cost-cutting programme lies in an agreement with unions. The airline has proposed wide-ranging changes to its contract with the Allied Pilots Association, which expires today. The pilots' union, however has yet to respond.

American also faces arbitration with the flight attendants union later this year, which it hopes will yield productivity improvements, and it has held preliminary talks with the union representing mechanics and ground employees about revising their contract when it becomes due for amendment next March.

American's share price rose $⅝ to $59¼ in New York yesterday.

Roland Rudd and **Robert Peston** explain the threat to Rowland

Lonrho's great survivor faces day of reckoning

"In the best interests of the company, Mr Roland Rowland should cease to hold the office of chief executive".

Thus spoke the majority of Lonrho's board in 1973, but Mr Tiny Rowland survived.

More than two decades later, Mr Rowland may face a similar motion from an equally hostile board, following disclosures of what Mr Rowland costs the company in salary, expenses and other costs under his direct control and the sale of a film to a company connected to Libya.

At a board meeting tomorrow, Mr Dieter Bock, the German joint chief executive of the international trading group, may attempt to win the majority vote of directors needed to strip Mr Rowland of his chief executive title. The issue which has brought the current battle to a head appears to be far removed from the last attempt to topple Mr Rowland. His recent decision to sell a film on the bombing of Pan Am flight 103 over Lockerbie to an Egyptian company connected to Lafico, Libya's trading arm, possibly breaching United Nations sanctions, has infuriated Mr Bock's supporters.

But, in reality, the £200,000 Libyan sale has only brought hostilities to a head. They have been been simmering for the past year between the two joint chief executives whom Mr Rowland last year called "indivisible".

Mr Bock's main reason for wanting to get rid of Mr Rowland is strikingly similar to those of the so-called "straight eight" led by the then deputy chairman, Sir Basil Smallpeice in 1973.

The majority of directors are said to be shocked to discover that Mr Rowland, who is 76 and has run Lonrho for 33 years, costs the company more than £5.5m ($8.5m) a year in salary, expenses and other costs under his direct control.

An FT analysis shows:

- Mr Rowland's salary is more than £1.2m;
- He receives almost £500,000 as a contribution to the costs of his two homes;
- Lonrho's Gulfstream private jet costs about £2m a year in running and finance costs;
- About £200,000 is paid by Lonrho for the education of dependents of African politicians and agents;
- There is almost £1m of other personal business expenses related to the winning of international business;
- More than £300,000 is incurred in costs relating to employees who work directly for Mr Rowland.

What is remarkable is that Mr Rowland should continue to be such a substantial cost centre for the company 21 years after he was first criticised for his lavish corporate lifestyle.

Disclosure of Mr Rowland's expenses during Lonrho's first boardroom battle, as well as other revelations about the company, prompted the then UK prime minister, Sir Edward Heath, to remark that "it is an unpleasant and unacceptable face of capitalism".

Mr Rowland sought to justify the costs on the grounds that only by entertaining African politicians in a lavish manner could the company reinforce its business links with the continent.

He argued it would be "disastrous for the company" if he was to relinquish the role of chief executive. With more than 75 per cent of the group's profits derived from Africa, he could argue with some force that he was integral to Lonrho's success.

No one has ever disputed Mr Rowland's contacts or ability to work with African leaders.

But Lonrho in 1994 is a different company. Africa is no longer seen as so important to its future. There is no longer the threat of nationalisation of Lonrho's African assets if the company was to remove Mr Rowland as chief executive, as there was in the 1970s.

Moreover, a greater proportion of Lonrho's African earnings today comes from mines in Ghana and South Africa, rather than general trading profits.

Mr Rowland also faces a formidable opponent in Mr Bock. The German financier, owner of 18.8 per cent of Lonrho's shares, has already swept out most of the old guard who supported Mr Rowland through thick and thin. He has also succeeded in bringing in the first non-executives to the board for more than two decades.

Out of 13 directors, Mr Rowland can count only on the support of the chairman, Mr René Leclezio, Mr Robert Dunlop, both of whom retire this autumn. One director, Mr Sam Jonah from Ghana, may abstain if there is a vote to remove Mr Rowland as chief executive.

But the remaining nine, which include the two non-executives, may be as united as their predecessors in wanting to get strip Mr Rowland of his executive powers. If they succeed, Mr Rowland could attempt to appeal directly to shareholders, as he did in the 1970s, by trying to call an extraordinary general meeting.

But this time he would have to find a sympathetic big shareholder or buy another 3.5 per cent to take his shareholding up to the 10 per cent required to call an EGM. The last time he faced dismissal from the board he owned about 20 per cent.

Unlike 21 years ago, Mr Rowland can no longer count on the support of an army of loyal shareholders. Investment institutions, most of them supportive of Mr Bock, now control about 40 per cent of the shares. The odds are therefore stacked heavily against his continued survival.

Euro Disney chief tackles fears

By Alice Rawsthorn in Paris

Mr Philippe Bourguignon, chairman of Euro Disney, the embattled leisure group, yesterday sought to squash speculation about the company's performance after further erratic trading in its shares.

Euro Disney's shares, which fell sharply on Friday and Monday, began the day by plummetting to a new record low of FFr7.55 from FFr8.40 at the previous day's close. The shares, have been affected by concern about Euro Disney's prospects and about the future of Walt Disney, its US parent company.

Shares were suspended four times during the day before closing 8.33 per cent up on the day at FFr9.10.

Mr Bourguignon, who on Monday asked the Paris stock market authorities to investigate the decline in the share price, said on French radio that the stock's volatility was solely due to market sentiment. "If observers come to certain conclusions about us, that's their problem and their responsibility," he said. "If it affects our share price, that's their fault."

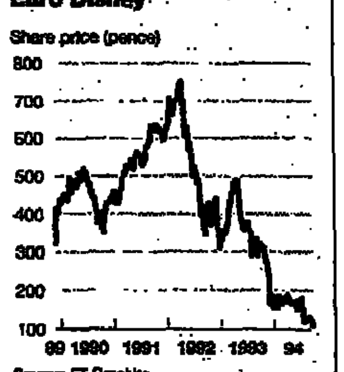
The Euro Disney chairman declined to comment on market speculation that the EuroDisneyland theme park has beenpoorly attended this summer. In May, the company confirmed that visitor levels in the first five months of the year had been lower than during the same period of 1994.

At the time Euro Disney's management hoped the downturn was a short term reflection of the adverse publicity generated by the company's FFr13bn ($2.41bn) emergency restructuring.

Analysts are braced for another hefty loss at Euro Disney for the current financial year to September 30 after last year's net deficit of FFr6.9bn.

Mr Bourguignon affirmed at the time of the restructuring that the group was unlikely to come back into the black before its 1996 financial year.

Euro Disney



Source: FT Graphite

A difficult year, Page 17
World Stock Markets, Back Page

Alusuisse income jumps to SFr95m

By Ian Rodger in Zurich

Alusuisse-Lonza, the aluminium, chemicals and packaging group, almost doubled its net income in the first half to SFr95m ($72.5m) from SFr49m, and forecast a similar increase in the second half.

Mr Theodor Tschopp, chief executive, said the group had already completed a restructuring programme begun in 1991.

The aim of the restructure was to reduce Alusuisse's dependence on sales of aluminium and chemical commodities and develop higher value-added businesses over a five-year period.

Sales in the first half were ahead 21 per cent to SFr3.8bn and operating income jumped 74 per cent to SFr265m.

These increases were attributed to the SFr1.1bn acquisition of the Canadian Lawson-Mardon packaging group in January, improved productivity in core businesses and the elimination of loss-makers.

The packaging division was the star performer, with operating income doubled to SFr118m on sales up 97 per cent to SFr1.39bn, mainly because of the inclusion of Lawson-Mardon figures.

Sales of the aluminium division advanced 5.7 per cent to SFr1.45bn but its operating income surged 56 per cent to SFr72m, due to improved markets and productivity.

The chemicals division's sales rose 2.8 per cent to SFr813m and operating profits advanced 3.4 per cent to SFr91m, in spite of adverse exchange rate trends.

Mr Tschopp said the group still had to improve its profitability significantly to rank among international leaders.

It anticipated only minor acquisitions in the packaging division to round out its position, while growth in the aluminium division would come through alliances.

An important acquisition in the chemicals division in the medium term was likely, but first, the balance sheet would be gradually strengthened through retentions.

The annual dividend, cut by nearly 30 per cent in 1990, would "at least" be maintained this year, Mr Hans Jucker, chairman, said.

GE to buy Lindner German lighting unit

By Judy Dempsey in Berlin

General Electric of the US yesterday said it would purchase Lindner Licht, the lighting subsidiary of Lindner, the German-based light-bulb maker.

The purchase, for an undisclosed sum, follows the collapse of a planned merger between Philips Lighting (Netherlands) and Lindner after Germany's Federal Cartel Office rejected the takeover on the grounds that it would strengthen Philips's dominant position in the German market.

"This acquisition of Lindner provides GE with the opportunity to expand our business in the strategically important German market," said Mr Charles Piepler, head of GE Lighting Europe.

GE said it hoped to increase its market share in Germany from 9 per cent. Lindner holds a 6 per cent share of the lighting market. Last year's turnover of the German lighting bulb market totalled DM600m ($375m).

Lindner, which will sell its licensing brand, trademarks and distribution facilities to GE, yesterday said the GE purchase would help expand the company.

"GE will provide the necessary resources and lighting expertise," said Mr Horst Hochreuther, managing director of Lindner.

The announcement confirms GE's determination to increase its global presence in the lighting market.

Incentive advances 45% to SKr395m in first half

By Christopher Brown-Humes in Stockholm

Incentive, the Swedish industrial and investment group controlled by the Wallenberg family, yesterday reported a 45 per cent increase in underlying first-half profits to SKr395m ($50.6m).

The performance, reflecting improved market conditions and greater efficiency, was achieved on a 21 per cent rise in sales to SKr6.96bn.

Mr Mikael Lilius, president, said all the group's businesses – embracing medical technology, power, construction, transport, materials handling and cameras – had contributed to the upturn, helped by healthy North American and Asian markets and a European market "characterised by definite recovery".

Orders rose 63 per cent to SKr9.99bn while group companies "continued to capture market share in most segments", he said.

A shift in group strategy in the last three months has seen the emphasis move away from mature engineering business towards high-technology growth.

Gambro, a medical equipment specialist with annual sales of SKr10bn, has been added to the group's business portfolio, while a 43 per cent stake in Esab, the world's leading supplier of welding equipment, has been sold to Charter, the UK industrial group.

Incentive gained its majority shareholding in Gambro through a SKr8bn bid for Cardo, the investment group, which was finalised in June. Since then it has sold about SKr1.8bn worth of equities from Cardo's SKr2.7bn portfolio. The intention is to float what remains of Cardo when market volatility subsides.

After including SKr1.4bn in proceeds from the Esab sale, Incentive has driven net debt down by SKr3.2bn from SKr12.1bn at the end of June. A SKr700m-SKr800m capital gain from the Esab disposal will be included in the company's second-half figures.

Bank of Nova Scotia rises to C$198m

By Robert Gibbens in Montreal

Bank of Nova Scotia, Canada's fourth-biggest bank, lifted third-quarter net profit to C$198m (US$141m), or 80 cents a share, up 8.2 per cent from C$183m, or 77 cents, a year earlier.

Return on equity was 13.91 per cent, against 14.39 per cent.

However, the bank recorded a 12.6 per cent improvement in net interest income. This was due to strong growth in commercial and mortgage lending and better overseas markets.

Other income was up 20.4 per cent, though expenses rose 18.5 per cent due to the absorption of Montreal Trust, the Canadian trust company.

Net profit for the nine-month period was C$277m, or 95 cents, down from C$520m, or C$2.18, a year earlier.

Axel Springer profits up 62%

By Christopher Parkes in Frankfurt

The Axel Springer publishing group yesterday reported a 62 per cent increase in net profits to DM52m ($33.1m) for the six months to the end of June.

Sales rose 1.2 per cent to DM1.7bn. The group said most of the advance was due to cost-cutting and strong earnings growth in the Bild newspaper business.

Costs of materials fell 5 per cent and labour costs were trimmed by 0.8 per cent in the period, it added. Advertising revenues rose almost 3 per cent, led by a good performance from Bild.

Overall newspaper sales rose 4.5 per cent, but magazines fell 3.5 per cent as increased competition affected radio and television listings publications.

It said group sales would probably rise slightly to DM3.2bn from DM3.1bn in 1993.

The company reported a group operating loss of DM37.9m for the first half of 1994, up from DM32.3m the year before.

Rising foreign orders were helping to stabilise earnings but the full effect would not be felt until 1995, the company said.

● Rheinmetall Berlin, the German munitions and engineering group, said it expected parent company earnings to be flat in 1994, but made no forecast on group earnings, Reuter reports from Düsseldorf.

In 1993, Rheinmetall's parent company made a net profit of DM19.2m and paid a dividend of DM7 per ordinary share and DM8 per preferred share.

Steven Wolf joins Air France

By Alice Rawsthorn in Paris

Mr Christian Blanc, chairman of Air France, the loss-making airline, has appointed Mr Steven Wolf, former head of United Airlines, the US carrier, as an adviser to help him implement his cost-cutting strategy.

The appointment of Mr Wolf, who orchestrated a rationalisation and recovery programme at United Airlines before engineering an employee buy-out earlier this year, coincides with the launch of a reorganisation at Air France.

Steven Wolf: former UAL chief will help with cost-cutting

The French group, which made heavy losses in 1993 and was crippled by last autumn's strike against a previous cost-cutting plan, will on Thursday unveil a new corporate structure to separate international and domestic operations.

Mr Blanc intends to shed 5,000 jobs over the next three years, to reduce the Air France fleet and to implement a pay freeze.

Financial analysts welcomed the arrival of Mr Wolf, who is a highly-experienced airline executive. He held posts at American Airlines, Pan Am and Continental, as well as United.

However, the Air France unions yesterday criticised his appointment. The CFDT, one of the largest unions, condemned the decision to appoint "an icon of airline deregulation" to the state-controlled airline. The union said Mr Wolf was the 11th external senior appointment to Air France since the announcement of the rationalisation, and described such hirings as "shocking" at a time of job losses.

Progress at Howard Smith

By Nikki Tait in Sydney

Howard Smith, the Australian industrial group, yesterday announced a A$56.8m ($41m) profit after tax and abnormals in the year to end-June, up from A$47m a year ago. The rise was scored on revenues of A$89.2m, 17.5 per cent higher than in the previous year.

The company, which acquired the large BBC Hardware retail chain in July, said it was adding the Campbells Hardware Group for A$81m from Jamison Equity, the Australian conglomerate.

The company is also pulling out of the stevedoring business. It is planning to sell its 25 per cent interest in Australian Stevedores for A$28m to Jamison Equity unless ANL, the government-owned shipping business, exercises a pre-emptive right.

Argyll sells stores to Spar group for £19.7m

By Neil Buckley in London

Argyll, the UK's third-largest food retailer, has sold 151 of its smallest supermarkets for £19.7m ($29.8m) to a consortium of five companies operating under the Spar banner.

The deal rids Argyll of most of its Lo-Cost and Presto stores smaller than 4,000 sq ft, allowing it to concentrate on its larger stores, and its Safeway superstore chain.

The future of the Lo-Cost discount chain has been under review since May when Argyll revealed a 20 per cent fall in operating profits to £40.7m in its Presto/Lo-Cost division in the year to April 2. Analysts attributed much of the fall to Lo-Cost.

Some 123 Lo-Cost and 28 Presto stores are being sold. Fixtures and fittings and goodwill have been sold for £10.7m, and Argyll expects to realise at least £9m more from property transactions.

That would represent a £7m profit over the £12.7m book value of the stores, whose annual sales are £150m.

They will be converted into Spar convenience stores and all 1,750 staff will be kept on.

Lo-Cost was hit last year by increased price competition in the grocery sector, in particular by Gateway group's Price Check campaign launched in May 1993.

The consortium buying the stores includes A. F. Blakemore, the family-owned wholesaler; Appleby Westward, the USM-quoted grocery distributor; Alfred Jones; Capper; and James Hall.

Lex, Page 14

Roche bid for Syntex cleared

Roche, the Swiss pharmaceuticals group, has won conditional clearance from the US Federal Trade Commission to complete its $5.3bn agreed bid for Syntex, a US drugs group, writes Ian Rodger.

Under an agreement with the FTC, Roche will sell Syntex's Syva medical diagnostics business in the US. Syva had sales of $212m in the year to July 31 1993.

Czech savings bank ahead

Ceska Sporitelna, the largest Czech savings bank, posted pre-tax profit for the first half of 1994 of Kcs1.76bn ($63m), Reuter reports from Prague.

Revenues were Kcs29.76bn against liabilities of Kcs28bn.

Comparative interim results for 1993 have not been published.

Sporitelna reported Kcs300m after-tax profit for all 1993, and said it expected after-tax profit to grow to Kcs2.5bn for 1994.

German stores see earnings decline

By Christopher Parkes

Two of Germany's leading retail groups yesterday forecast lower profits this year, blaming falling disposable incomes and hot summer weather for the setback.

Earnings in Karstadt's shops and department stores deteriorated in the first half, although its NUR travel bureau business saw bookings and turnover rise more than 20 per cent.

Kaufhof said sales on a like-for-like basis were lower than forecast and down on last year. Neither group provided earnings details in interim reports issued yesterday.

Turnover in Karstadt's shops and department stores fell 5 per cent after adjustment for increased selling space, while its travel business rose 16 per cent. Mail order sales at the Neckermann subsidiary slipped almost 4 per cent.

However, group turnover rose 28 per cent to DM12.3bn ($7.7bn) due to the first-time inclusion of the Hertie concern. Average prices within the group were 1.2 per cent higher than a year earlier.

Kaufhof, which has expanded vigorously, yesterday announced it was to shuffle the management teams at the holding company and Kaufhof Warenhaus, its department stores subsidiary.

INTERNATIONAL COMPANIES AND FINANCE

Two SA coal groups merge to form R4.3bn producer

By Mark Suzman in Johannesburg

Trans-Natal Coal and Randcoal, two of South Africa's biggest coal companies, plan to merge, creating the third largest privately-owned coal producer in the world.

The new company will have assets of R4.3bn ($615m) and a turnover of R3.4bn on annual sales of 58m tonnes. The combined market capitalisation of the two producers is R5.5bn.

The deal was announced yesterday with the annual results of Trans-Natal's parent company, mining house Gencor. Mr Brian Gilbertson, Gencor chairman, said the new company, which will temporarily be known as Mergeco, would benefit from synergies in management and marketing.

The announcement follows widespread speculation that Randcoal's controlling shareholder, life assurer Old Mutual, was considering bids for the company. Other interested parties were thought to include South African mining houses Anglovaal and Gold Fields and oil and chemical producer Sasol, as well as Broken Hill Proprietary, the Australian mining group.

The decision signals the demise of Randcoal parent Rand Mines, once one of South Africa's premier mining houses, as an independent company. The group was unbundled from conglomerate Barlow Rand last December and its former gold-producing subsidiary, Randgold, was in effect taken over by a consortium operating through rival mine First Wesgold only two weeks ago.

The merger involves no cash and will be financed through Randcoal, which will acquire the operating business of Trans-Natal by issuing 108 shares for every 100 Trans-Natal shares. Minorities will be offered Trans-Natal shares in exchange for Randcoal shares. Rand Mines will not accept the offer and will distribute the Randcoal shares to its shareholders.

Gencor will have shareholder and management control of the new company; Mr John Hall, Randcoal chairman, will be its chairman.

In its first results since unbundling, Gencor reported profits for the 10 months ending in June, lifting attributable earnings by 2.1 per cent to R625m. This was up from its pro-forma figures of R613m for the year to August 1993.

Operating income rose 32.9 per cent to R630m from R474m on the strength of improved gold, ferro-alloys and titanium earnings, but investment income dropped 67.5 per cent to R77m from R237m on a combination of lower cash balances and lower interest rates.

Metallgesellschaft raises C$460m

By Christopher Parkes in Frankfurt

Metallgesellschaft, the troubled German metals and engineering group, is to raise almost C$460m (US$336m) from the sale of its controlling stake in Metall Mining, the international mining group based in Canada.

The German group's 40.7m shares in Metall will be bought for C$11.25 each by an underwriting consortium before being sold.

The deal marks the end of complex negotiations between Metallgesellschaft and Metall which involved several other companies with interests at stake, and a further stage in the restructuring of the German group.

The main stumbling block was Metall's 35 per cent stake in Norddeutsche Affinerie, which operates a large copper smelter in northern Germany.

Metallgesellschaft is to buy back this holding for C$152m in accordance with its contract with the other shareholders in Norddeutsche, MIM Holdings and Degussa.

Under this arrangement, Metallgesellschaft was obliged to take back the stake if it ceased to control Metall.

Metallgesellschaft is to pay C$40m in cash and the balance, covered by an interest-bearing promissory note, is to be paid by the end of December next year.

Metall said yesterday that it planned to file a prospectus with Canadian securities authorities to qualify the shares previously held by the German group for sale to the public in Canada.

The stock will also be sold in Europe and distributed through private placements in the US.

Manulife buys Confederation unit

By Robert Gibbens in Montreal

Manufacturer Life of Canada, the personal life insurance group, is buying the domestic group life and health business of Confederation Life.

The deal, signed with Confederation's liquidator, will give Manulife about 15 per cent of the domestic group market, up from 3 per cent and taking premium income to about C$1.25bn (US$913m) from C$250m.

Confederation's group business is mainly with corporations, including some of the country's biggest. Confederation was seized by federal regulators on August 11 after being caught in the commercial property market collapse. Its profitable UK unit was bought by Sun Life Canada and the US group business by Great-West.

Mr Dominic d'Alessandro, Manulife president, said: "We're buying something four times our size. It includes expertise, systems and people. We become a credible player in this market overnight."

Manulife, with C$40bn assets, is Canada's second biggest life insurer. Last year it earned C$187.3m on total premium income of C$4.5bn.

AT&T unit plans to withdraw from chips

By Louise Kehoe in San Francisco

AT&T Global Information Solutions, formerly NCR, plans to withdraw from the semiconductor market and is seeking a buyer for its NCR microelectronic products division.

While the company would not estimate a market value for the operations, it said it was prepared to negotiate aggressively with suitable potential buyers for a speedy transaction.

Its decision to sell the semiconductor operations followed a business portfolio analysis. "It no longer fits strategically with our business plan," a spokesman said.

NCR was acquired by AT&T in 1991 and renamed AT&T Global Information Solutions this year. The NCR semiconductor operation has continued to operate independently rather than being integrated with AT&T's existing semiconductor operations.

AT&T's microelectronic division, which had estimated 1993 sales of more than $1bn, is not affected by the sale, the company said.

With sales last year of $372m, the NCR division employs almost 2,000 people at two semiconductor plants in Colorado as well as a plant in Wichita, Kansas, making personal computer circuit boards, and Utrecht, in the Netherlands, where there is a wireless data communications product line.

The division is profitable and its sales have been growing at about 25 per cent per year, the company said.

Morgan Stanley has been retained to find a buyer.

Evergreen posts T$1.68bn profit

Evergreen Marine, Taiwan's leading containerised shipping line, reported pre-tax profits of T$1.68bn (US$64m) for the year to June 30, up a flat 2.4 per cent from a year earlier, writes Laura Tyson in Taipei

Dark clouds obscure Disney's star

A difficult year could get even tougher, writes Patrick Harverson

This year is rapidly shaping up to be Walt Disney's "annus horribilus". In the past eight months, the US entertainment group has endured a string of setbacks.

They have included:

● the loss of the company's highly-regarded president, Mr Frank Wells, in a helicopter accident in April;

● the temporary incapacitation, following emergency heart bypass surgery, of its chairman, Mr Michael Eisner;

● a politically embarrassing tussle with historians over plans to build a new Disney theme park near Civil War battlefields in Virginia;

● another costly financial reorganisation of Euro Disney and declining attendance at its US theme parks;

● and a series of disappointing performances from its live-action (as opposed to animated) movies.

While the group has scored some successes at the box office, most notably the triumph of its animated film *The Lion King*, a cloud appears to have followed Disney around all year.

Last week, the company suffered another serious blow when Mr Jeffrey Katzenberg, the widely-respected film executive who helped turn Disney's moribund movie division into the most profitable studio in Hollywood, announced he would be leaving the company when his contract expires at the end of September.

Mr Katzenberg is departing because Mr Eisner would not give him Mr Wells' old job as president. Although Mr Katzenberg had hankered after a bigger management role at Disney, and had his sights on succeeding his long-time mentor as chairman, Mr Eisner did not feel the studio chief had the right credentials to be the number two.

Although Disney moved quickly to offset the impact of the loss – appointing a new studio chief from within and unveiling a restructuring of the film entertainment division – nagging questions remain.

Can Mr Eisner, who relied so heavily upon the late Mr Wells' support and counsel, run Disney single-handed? Who, if anyone, is best-placed to succeed Mr Eisner as chairman?

Jeffrey Katzenberg: leaves the company at the end of September

And will Disney's hugely profitable animated films unit prove as successful without Mr Katzenberg at the helm?

Disney has been quick to rebuff suggestions that Mr Eisner needs help running the company. An experienced lawyer and negotiator, the 62-year old Mr Wells played a crucial management role at the company, overseeing Disney's day-to-day operations as well as helping to build its longer-term strategies. Yet Mr Eisner, who described Mr Wells as "the glue that held the place together", has chosen not to replace him.

Instead, the Disney chairman has taken on the additional post of president, and passed on many of the administrative duties to Mr Sanford Litvack, head of the company's legal and human resources departments, and now its chief of operations.

Mr Wells' deal-making skills, however, are likely to be missed, especially as Disney faces some tough decisions, such as how to position itself on the information superhighway, and whether to move aggressively into the broadcast television business by acquiring a US network.

If Mr Eisner's decision not to appoint a new president raised only a few eyebrows in the first few months after Mr Wells' death, it is now being questioned widely following Mr Eisner's heart problems. Although his doctors say he will make a full recovery, speculation about the succession issue will not die down, and is likely to intensify now that Mr Katzenberg is leaving.

The company, however, is sticking to its line that Disney's management team is deep enough to provide Mr Eisner with all the support he requires.

Mr Raymond Watson, a Disney board member and former chairman of the company, says there is no need to anoint a successor to Mr Eisner just yet. "You don't decide who is going to replace a 52-year old CEO when that person's contract has another five years to go."

Mr Watson also insists Mr Eisner's decision not to appoint a new president should not be second-guessed. "Who is the right person, or persons, who can do the kind of things that Frank Wells did? That's a call Michael Eisner has to make.

"This has a lot to do with the situation with Jeffrey Katzenberg. Jeffrey Katzenberg was an outstanding executive in his field. But the question was: would he be as effective in a role that is essentially complementary to Michael Eisner? Michael decided he wouldn't. And I agreed with him on that."

Another who agrees with that decision is Mr Christopher Dixon, an entertainment industry analyst with the Wall Street firm PaineWebber. He believes the restructuring of Disney's film entertainment division announced last week will make Mr Eisner's job easier.

The restructuring involved splitting the film entertainment division in two. Disney's highly-successful television business and its nascent telecommunications operations will now be run as a separate unit by Mr Richard Frank, who had been head of television at Disney's studio arm.

The remainder – the motion pictures production and distribution business – will be run by Mr Joe Roth, formerly head of Disney's Caravan Pictures offshoot, whose chief task will be to revitalise the lacklustre live-action films unit.

These changes, say Mr Dixon, are part of a process of turning Disney into a more decentralised company. Its individual businesses – theme parks, films, television, music, merchandising, and now telecommunications – have grown so fast it now makes sense to split them up, and to have each run by their own specialist managements.

These are changes that other large, diversified entertainment groups, such as Time Warner and Viacom, have gone through, says Mr Dixon. For Disney, the PaineWebber analyst says, "the restructuring goes a long way to helping push management down into the divisions."

While the changes in the film division should give Mr Eisner more time to concentrate on Disney's longer-term strategies, he will have to keep a close eye on the company's most profitable unit – the animated film operation – when Mr Katzenberg leaves.

Although the outgoing studio chief earned much of the credit for reviving the animated films business, company insiders now say Mr Roy Disney, the founder's nephew, played as crucial a role as anyone in producing blockbusters like *Aladdin* and *The Lion King*. Analysts believe that with Mr Disney at the helm of animation, Disney's long run of successes should continue.

Breathing new life into the theme parks, sustaining the success of the animation films and reviving the live-action pictures, plotting Disney's course on the information-superhighway: these are some of the biggest tasks now facing Mr Eisner and his top lieutenants.

If 1994 has been a difficult year so far, the next 12 months could prove even tougher.

CONTRACTS & TENDERS

LEGAL NOTICES

COMPANY NOTICES

PERSONAL

INTERNATIONAL COMPANIES & CAPITAL MARKETS

NEC sees sharp upturn in profits

By Michiyo Nakamoto in Tokyo

NEC, the Japanese electronics company, has revised upwards both its parent company and consolidated sales and profits forecasts for the year to March 1995, mainly on the strength of firm demand for the company's personal computers and semiconductors.

The company is forecasting a particularly sharp upturn in sales and profits in the six months to September.

Parent pre-tax profits in the first half are now expected to reach Y20bn ($199.6m), or double the May forecast of Y10bn and compared with an Y8.5bn loss in the first half of fiscal 1994. Net profits are forecast at Y10bn, compared with a Y9.3bn loss previously and an earlier forecast of Y6bn.

Sales for the half-year are expected to be Y1,380bn for the parent company, up 4 per cent from the same period last year, rather than the Y1,370bn forecast in May.

NEC said that it had seen strong demand for its PCs in the home market. PC sales were forecast to rise 4 per cent to Y490bn in the year, but NEC has revised this upwards to a 15 per cent rise to Y540bn.

The company has also enjoyed the benefits of a strong pick-up in worldwide demand for semiconductors. NEC expects demand in Asia to rise 50 per cent over last year, while demand in the important Japanese market is forecast to rise 9 per cent.

However, the company is slightly more conservative in its forecasts for the full year, due to the uncertainty over theyen's strength.

For the full year NEC expects parent company sales of Y3,030bn, up from an earlier forecast of Y3,000bn, and pre-tax profits of Y60bn rather than Y50bn.

On a consolidated basis, NEC expects sales to rise 5 per cent to Y3,760bn, pre-tax profits to be Y70bn and net profits to be Y35bn for the full year. The new forecast compares with an earlier one for sales of Y3,720bn, pre-tax profits of Y60bn and net profits of Y30bn.

Lion withdraws from US

By Emiko Terazono in Tokyo

Lion, a leading Japanese maker of household goods, is withdrawing from the domestic pet food and US consumer goods market, dissolving operations set up in the 1980s as a part of its diversification programme.

The company will post a special loss of Y7bn ($7m) for the current year to March, but earnings projections will not be altered as the loss will be covered by profits from securities sales.

Many Japanese companies are starting to restructure operations set up in the 1980s, when investment in new businesses was prevalent. The downturn in the Japanese economy and falling cash flow from their main businesses have prompted many companies to review diversification schemes.

Lion entered the US consumer goods market in 1985, setting up Lion America, which sold toothpaste and other household products. However, increasing marketing costs and competition have squeezed its profit margins and the rise in the yen has pushed up its prices.

First-half fall in net earnings at CRA

By Nikki Tait in Sydney

CRA, the Australian mining group in which RTZ of the UK holds a 49 per cent stake, has announced after-tax profits of A$296.6m (US$220m) for the half-year to June, down from A$360m in the same period of 1993. Total revenues were A$3.43bn against A$2.87bn.

The figures are calculated on a statutory consolidated basis; on an equity-accounted basis, CRA said after-tax profit would have shown a fall of A$51.7m to A$327.9m.

Even on the non-equity accounted basis, the comparisons are muddied by abnormal items. The A$296.6m profit includes a A$160.1m pre-tax abnormal surplus, representing the profit on the sale of CRA's stake in Pasminco earlier this year. The result also includes a A$19.4m charge, stemming from a fall in pension fund surpluses.

CRA said if these factors were excluded, operating profits after tax but before the pension fund adjustment and the Pasminco gain would have stood at A$200.2m, a A$70.4m fall from the first half of 1993.

Most of CRA's core divisions saw profits fall in the half year. On an equity-accounted basis and after tax, iron ore's contribution to earnings fell to A$146.2m from A$191m, while coal was down to A$55.4m from A$119.5m. Both were hit by the reduced prices agreed with important Japanese buyers, while the coal business also suffered industrial disruption.

Gold and copper was down to A$23.2m from A$34.7m and diamonds to A$27.7m from A$41.4m.

There is a unchanged dividend of 30 cents a share.

European prices hit by French rate rises

By Antonia Sharpe in London and Frank McGurty in New York

A heavy calendar of supply weighed on European government bonds yesterday amid concern that the markets would have difficulty in absorbing the large amounts on offer.

Bond prices were dealt a further blow late in the day when leading French commercial banks said they planned to raise their base rates by 25 basis points to 7.95 per cent from tomorrow. French 10-year government bonds fell around a half-point on the news.

Analysts interpreted the banks' action, which was independent of the Bank of France and designed to counter their own rising cost of funding, as a further confirmation that European interest rates are heading upwards. They added, however, that the banks obviously felt that demand from the private sector was sufficiently robust to cope with higher interest rates.

Investors were also sidelined ahead of the Bundesbank meeting tomorrow and the US employment report on Friday. Some analysts expect the German central bank to return to a variable rate repo, but the market does not expect a change in official interest rates.

Mr Kit Juckes at S. G. Warburg said the Bundesbank had to show that it could manage the trough in interest rates better than the central banks in Italy and Sweden, which stunned the markets with the timing of their rate rises recently.

GOVERNMENT BONDS

"Inflation is in a trough, the economy is recovering so the Bundesbank can only make cosmetic adjustments," Mr Juckes said.

On Liffe, the September bund future was barely changed in the late afternoon, down 0.04 points at 92.00.

■ UK gilts had a disappointing day, given their potential to outperform in the near term. On Liffe, the September long gilt future fell ⅜ to 101⅜.

Dealers said the weakness reflected professional selling following the narrowing of the yield spread between 10-year gilts and bunds to less than 150 basis points late last week.

There is some debate on whether the spread can narrow further. Salomon Brothers believes the spread will drop to 125 basis points by year-end, but Hoare Govett says such a tightening will require further gains from sterling.

■ US Treasury bonds posted modest gains yesterday morning in spite of a mixed signals on the economy.

By midday, the benchmark 30-year government bond was $\frac{3}{32}$ better at 100$\frac{11}{32}$, with the yield slipping to 7.462 per cent, and the two-year note was up $\frac{1}{32}$ at 100⅝, to yield 6.166 per cent.

Activity remained lacklustre as traders awaited guidance on the direction of the economy.

Yesterday brought good news and bad. On the negative side, the Commerce Department reported an 8.3 per cent increase in July sales of new homes, higher than expected.

But traders chose to focus on the positive, with the Conference Board's consumer confidence index coming in well under forecast. The data suggested a slowdown in consumer spending in the first half, a favourable development for inflation-sensitive bonds.

Spate of deals aimed at retail investors

By Graham Bowley and Tracy Corrigan

A spate of bond issues aimed mainly at retail investors dominated the eurobond market yesterday, but there was little sign of any return to the market by institutional investors.

INTERNATIONAL BONDS

While the appetite for high-coupon paper among retail investors is clearly intact, the market's ability to absorb institutionally-targeted offerings could be tested in the next few weeks, as borrowers attempt to beat the autumn rush.

"There is certainly a greater level of conversation about potential transactions than there has been for some time, but we are still not seeing any activity from big institutions," said one syndicate manager.

For the first time, the Province of Ontario came to the Dutch guilder market with a Fl 500m offering of 10-year bonds, priced to yield 45 basis points above the 10-year 7¼ per cent Dutch government bond.

Lead manager ABN Amro said the deal was successful, with the bonds placed predominantly with Dutch institutional investors, although it reported some demand from retail investors in other European countries.

AT&T tapped the Ecu market with an Ecu150m issue of five-year bonds, priced to yield 6 basis points above the five-year 6 per cent French government bond.

The issue was well received, lead manager Paribas Capital Markets said, particularly because the coupon of 8 per cent was the highest seen in the Ecu sector since February 1993.

However, some syndicate managers attacked the pricing as being too aggressive.

The deal was mainly targeted at continental European retail investors, Paribas said, and the proceeds have been swapped into floating-rate US dollars.

Three banks took advantage of the attractive swap rates still available in the Italian lira market, launching new issues totalling more than L500bn. Swiss Bank Corporation and Morgan Guaranty tapped the short end of the market, where the yield curve is particularly steep. Both three-year deals offer coupons of 11⅜ per cent and are likely to appeal to investors in Switzerland and the Benelux region.

Recent three-year deals for General Electric Capital Corporation and Rabobank have rallied half a point since they were launched last week.

Italian bank Cariplo launched a slightly longer-dated L150bn five-year deal, which dealers said was likely to meet good demand from domestic investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Ssangyong Oil Refining(a)§	50	(3-3½)	100.00	Dec.2004	2.50	-	Paribas/Ssangyong Secs.
D-MARKS							
SGZ‡	300	(b)	99.87	Sep.1999	0.20	-	Trinkaus & Burkhardt
Deutsche Bau & Bodenbank‡	100	(c)	99.90	Sep.2001	0.20	-	Westdeutsche Landesbank
ITALIAN LIRE							
SBC Finance Cayman Is.	200bn	11.375	101.285	Sep.1997	1.375	-	Swiss Bank Corp.
Morgan Guaranty Trust, London	175bn	11.375	101.315	Oct.1997	1.375	-	JP Morgan Securities
Cariplo, London Branch	150bn	11.125	100.875	Oct.1999	1.875	-	Cariplo
GUILDERS							
Province of Ontario	500	7.75	99.95R	Sep.2004	0.325R	+45(7¼%-04)	ABN Amro Bank
ECUS							
AT&T(d)	150	8.00	100.00R	Oct.1999	0.25R	+6(6%-99)	Paribas Capital Markets
AUSTRALIAN DOLLARS							
Commonwealth Bk. of Australia	100	8.625	101.08	Oct.1997	1.50	-	CBA
Bayerische Hypobank	75	8.75	101.325	Oct.1997	1.50	-	Hambros Bank
SWISS FRANCS							
General Electric Capital Corp.	125	5.125	102.20	Sep.1997	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Pricing: Thursday. Indicated conv premium: 10-15%. Callable from 12/9/97, subject to 140% hurdle, at par. b) 6-mth Libor +10bp. c) 6-mth Libor +$\frac{1}{16}$%. d) Spread relates to French Govt Ecu BTAN's.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	97.7500	-0.120	9.35	9.40	9.39
Belgium		7.250	04/04	92.8500	+0.160	8.35	8.42	7.91
Canada *		6.500	06/04	85.8500	-0.150	8.88	8.79	9.12
Denmark		7.000	12/04	88.3500	-0.060	8.76	8.87	7.97
France	BTAN	8.000	05/98	102.3750	-0.130	7.24	7.26	6.47
	OAT	5.500	04/04	84.4100	-0.580	7.86	7.84	7.16
Germany Bund		6.750	05/04	98.9700	-0.010	7.19	7.27	6.79
Italy		8.500	04/04	82.6000	+0.120	11.55†	11.72	10.67
Japan	No 119	4.800	06/99	102.6670	-0.370	4.14	3.92	3.70
		4.100	12/03	95.7130	-0.340	4.77	4.61	4.48
Netherlands		5.750	01/04	90.0200	-	7.25	7.31	6.83
Spain		8.000	05/04	82.9000	-0.360	10.93	11.01	10.20
UK Gilts		6.000	08/99	90-21	-2/32	8.34	8.44	8.09
		6.750	11/04	88-05	+6/32	8.50	8.64	8.27
		9.000	10/08	103-29	-13/32	8.52	8.65	8.37
US Treasury *		7.250	08/04	100-09	+2/32	7.21	7.29	7.10
		7.500	11/24	100-08	+1/32	7.48	7.52	7.39
ECU (French Govt)		6.000	04/04	84.8000	-0.220	8.35	8.43	7.89

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	4.55	Two year	6.17
Prime rate	7¾	Two month	4.68	Three year	6.45
Broker loan rate	6½	Three month	4.71	Five year	6.84
Fed.funds	4¾	Six month	5.08	10-year	7.22
Fed.funds at intervention	-	One year	5.55	30-year	7.48

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	113.88	113.88	-0.18	114.00	113.62	90,914	92,884
Dec	113.02	112.98	-0.18	113.10	112.78	7,646	42,920
Mar	112.38	112.34	-0.18	112.40	112.20	461	3,965

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Dec	Calls Mar	Puts Oct	Puts Dec	Puts Mar
113	1.26	2.07	-	1.32	2.08	-
114	0.80	1.53	-	1.90	2.61	-
115	0.41	1.05	-	-	-	-
116	0.19	0.74	-	-	-	-
117	-	0.45	-	-	4.50	-

Est. vol. total, Calls 15,590 Puts 20,838 . Previous day's open int., Calls 163,983 Puts 242,581.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.90	91.98	-0.06	92.04	91.60	71007	115415
Dec	91.17	91.16	-0.06	91.22	90.88	10491	42171
Mar	90.50	90.46	-0.06	90.50	90.50	35	501

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9100	0.79	1.15	1.40	1.56	0.63	0.99	1.24	2.10
9150	0.52	0.91	1.13	1.35	0.86	1.25	1.47	2.38
9200	0.32	0.67	0.90	1.16	1.16	1.51	1.74	2.70

Est. vol. total, Calls 6880 Puts 4404. Previous day's open int., Calls 130167 Puts 133741

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	97.52	0.01	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.15	99.81	0.82	99.88	98.55	34080	52013
Dec	97.40	98.20	0.83	98.28	97.00	6481	30554
Mar	-	95.75	0.75	-	-	0	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9800	2.70	2.99	2.50	5.24
9850	2.46	2.80	2.76	5.55
9900	2.21	2.62	3.01	5.87

Est. vol. total, Calls 758 Puts 1049. Previous day's open int., Calls 4155 Puts 5969

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	88.45	88.54	+0.11	88.58	88.13	29,886	94,542
Dec	87.30	87.34	-0.18	87.40	87.03	2,362	14,834

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102-10	102-03	-0-09	102-12	101-20	40965	72587
Dec	102-02	101-20	-0-11	102-02	101-08	34273	49661
Mar	-	101-00	-0-11	-	-	0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
101	2-28	3-05	1-62	3-06
102	1-59	2-40	2-19	3-40
103	1-28	2-14	2-52	4-14

Est. vol. total, Calls 583 Puts 1751. Previous day's open int., Calls 8528 Puts 13015

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.88	81.78	-0.22	81.88	81.64	589	6,007
Dec	81.30	81.24	-0.24	81.30	81.24	98	1,435

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	103-01	103-02	+0-03	103-07	103-00	218,163	282,585
Dec	102-08	102-10	+0-03	102-15	102-08	29,222	164,299
Mar	101-22	101-21	+0-05	101-22	101-21	47	6,368

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	107.51	-	-	107.55	107.50	408	0
Dec	106.46	-	-	106.58	106.46	2293	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Aug 30	Day's change %	Fri Aug 26	Accrued interest	xd adj. ytd		Low coupon yield Aug 30	Aug 26	Yr. ago	Medium coupon yield Aug 30	Aug 26	Yr. ago	High coupon yield Aug 30	Aug 26	Yr. ago
1 Up to 5 years (24)	119.88	+0.06	119.81	1.29	8.01	5 yrs	8.42	8.43	6.33	8.51	8.49	6.46	8.65	8.67	6.65
2 5-15 years (21)	140.11	-0.15	140.32	2.07	8.68	15 yrs	8.42	8.38	7.00	8.55	8.52	7.15	8.80	8.75	7.38
3 Over 15 years (9)	155.83	-0.35	156.38	0.80	9.81	20 yrs	8.39	8.34	7.14	8.56	8.52	7.24	8.66	8.63	7.40
4 Irredeemables (6)	178.59	-0.24	179.01	2.54	8.47	Irred.†	8.49	8.47	7.35						
5 All stocks (60)	137.10	-0.11	137.26	1.58	8.73										

Index-linked							Inflation 5% Aug 30	Aug 26	Yr. ago	Inflation 10% Aug 30	Aug 26	Yr. ago
6 Up to 5 years (2)	185.66	+0.03	185.60	0.65	3.95	Up to 5 yrs	3.68	3.69	2.49	2.59	2.59	1.70
7 Over 5 years (11)	174.65	-0.03	174.71	0.83	3.46	Over 5 yrs	3.74	3.74	3.24	3.55	3.55	3.06
8 All stocks (13)	174.82	-0.03	174.87	0.81	3.49							

Debentures and Loans						5 year yield Aug 30	Aug 26	Yr. ago	15 year yield Aug 30	Aug 26	Yr. ago	25 year yield Aug 30	Aug 26	Yr. ago
9 Debs & Loans (75)	129.08	-0.05	129.15	2.30	7.40	9.56	9.55	7.63	9.50	9.48	8.03	9.43	9.41	8.19

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 30	Aug 26	Aug 25	Aug 24	Aug 23	Yr ago	High*	Low*
Govt. Secs. (UK)	91.74	92.03	91.80	91.27	91.26	102.49	107.04	90.99
Fixed Interest	109.84	109.38	109.18	108.85	108.84	124.61	133.87	107.33

GILT EDGED ACTIVITY INDICES

	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22
Gilt Edged bargains	76.7	75.5	74.4	78.0	83.1
5-day average	77.5	80.2	82.0	86.3	85.8

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 30

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91⅞	92⅛	+⅛	7.81
Alberta Province 7⅝ 98	1000	101⅞	102		7.16
Austria 8½ 00	400	105⅞	105¾	+⅛	7.25
Bank of Tokyo 8⅛ 96	100	102¼	102⅞	-⅛	6.79
Belgium 5½ 03	1000	85½	85¾		7.78
BFCE 7⅛ 97	150	102⅛	102⅝		6.77
British Gas 0 21	1500	10⅞	11		8.55
United Kingdom 7¼ 97	5500	101¾	101⅞		6.48
Volkswagen Intl Fin 7 03	1000	97	97½	+⅛	7.47
World Bank 0 15	2000	20½	21	+⅛	7.72
World Bank 5⅜ 03	3000	90	90⅛	-⅛	7.41
World Bank 8⅜ 00	1250	110⅜	110⅝		6.48
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	107½	101½		5.95
Abbey Natl Treasury 8 03 £	1000	92¼	92½	-⅛	9.34
Alliance Leics 11⅜ 97 £	100	106½	107	-⅛	8.53
British Land 8⅞ 23 £	150	88	88½	-1⅛	10.42
Denmark 6¾ 98 £	800	93⅞	94¼		8.63
EIB 10 97 £	637	103⅞	104⅛	-⅛	8.13
Halifax 10⅜ 97 £	100	104⅛	104⅜	-⅛	8.32
Hanson 10⅜ 97 £	500	104⅛	104½	+⅛	8.79
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Treas 9pc 1994‡‡		8.93	5.29	100$\frac{25}{32}$	—	103$\frac{13}{32}$	100$\frac{25}{32}$
12pc 1995		11.71	5.54	102½	-$\frac{1}{16}$	107$\frac{7}{16}$	102½
Exch 3pc Gas 1990-95		3.05	5.56	98$\frac{5}{16}$	—	98$\frac{5}{16}$	97¼
10¼pc 1995		9.92	6.33	103$\frac{11}{32}$	—	107$\frac{27}{32}$	103$\frac{11}{32}$
Treas 12¾pc 1995‡‡		11.94	6.77	106$\frac{25}{32}$	—	113⅝	106$\frac{25}{32}$
14pc 1996		12.83	6.98	109⅛	—	117$\frac{7}{16}$	109⅛
Treas 11½pc 2001-4		10.21	8.90	112⅝xd	—	129$\frac{11}{16}$	110⅞
Funding 3½pc 1999-4		4.83	7.37	72$\frac{13}{32}$	-$\frac{11}{32}$	86$\frac{5}{16}$	71$\frac{1}{16}$
Conversion 9½pc 2004		8.98	8.63	105$\frac{13}{16}$	-⅛	125$\frac{1}{16}$	103
Treas 6¾pc 2004‡‡		7.68	8.48	88⅛	-$\frac{3}{16}$	105⅞	85$\frac{13}{16}$
Conv 9½pc 2005		8.95	8.59	106⅛	-$\frac{3}{16}$	125½	103⅛
Treas 12½pc 2003-5		10.28	8.85	121$\frac{13}{16}$	-$\frac{1}{4}$	143$\frac{1}{16}$	119$\frac{1}{16}$
Index-Linked	(b)						
2pc '96	(67.9)	2.51	3.79	199¼xd	+$\frac{1}{16}$	202⅝	197$\frac{13}{16}$
4⅝pc '98‡‡	(135.6)	2.69	3.48	107¼	—	113$\frac{5}{16}$	108$\frac{7}{16}$
2½pc '01	(78.3)	3.27	3.69	165$\frac{13}{16}$xd	-$\frac{1}{16}$	176⅞	163½
2½pc '03	(78.8)	3.38	3.72	161⅞	-$\frac{1}{16}$	173⅞	159$\frac{11}{16}$
4⅛pc '04‡‡	(135.6)	3.38	3.70	109⅛	-$\frac{1}{16}$	118⅜	107½
2pc '06	(69.5)	3.45	3.70	169$\frac{13}{16}$	—	184$\frac{15}{16}$	165$\frac{3}{4}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

	Notes	Int	Red	Price £	+ or -	1994 High	1994 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

مكتبة الأهرام

هكذا من الأصل

Further disposal at Heron

By Simon Davies

Heron International, which is moving into the final stages of a proposed buy-out by Mr Steven Green, the US investor, yesterday sold off one of its last two trading businesses, Heron Distribution.

The deal, achieved at below analysts' valuations, leaves Mr Gerald Ronson's once diverse Heron group with its car dealership, a property portfolio, and a mountain of debt.

Heron announced in early June that it had selected Mr Green's HNV Acquisitions as its preferred buyer, but it has since been silent, and the value of its bonds has fallen amid speculation that the deal might fall through.

The delay is because of the complexity of a deal which has to prove acceptable to more than 80 banks and also its bond holders. However, the release of the formal offer document is expected imminently.

The company has been pursuing an aggressive disposal programme, which has included the recent sales of its Suzuki motor distributorship, its housebuilding business, and its service stations.

The disposal of Heron Distribution will leave the group with only one remaining trading business, Heron Motor Group, which is also expected to be sold. Heron Motor Group owns the HR Owen Rolls-Royce dealership, and also the HMG and Hollingdrake businesses.

Heron Distribution is being sold to a management buy-out team led by Granville Private Equity Managers, and will raise £12m for the parent company. Already this year Heron has raised £31m from the sale of Heron Homes, £44m from Heron Suzuki, and £33m from the sale of seven properties, including its headquarters, to Derwent Valley Holdings.

Heron Distribution, which has been renamed Merlin Distribution, achieved a turnover of £35m in the year to March 1994, but management said it had been constrained by its parent's financial difficulties.

Mr Richard Morris, who will remain as managing director, said: "Now that we are able to operate on a level playing field we are very confident about our ability to expand Merlin Distribution into one of the key players in the contract distribution industry."

Lydia van der Meer

Steven Green: deal has to be acceptable to more than 80 banks

Canadians consider launching offer for HunterPrint

By Tim Burt

Quebecor, the Canadian publishing and forestry group, is considering making an offer for HunterPrint, the loss-making UK printer.

The move follows almost two years of talks between the debt-burdened British company and the Montreal-based newspaper publisher, North America's second largest commercial printing business.

Mr Charles Cavell, president of Quebecor, said the group was keen to expand its presence in Europe, but warned that a bid could be derailed by problems at HunterPrint.

"There are a number of issues which are unacceptable to us. It's up to HunterPrint to find a solution."

The Corby-based company admitted that several pre-conditions had to be resolved and warned that any offer could be at a discount to last Friday's 9p closing share price – equivalent to a market capitalisation of £5.22m.

The shares, which shed a further 1½p to close at 7½p yesterday, have halved in value since February when the group's auditors expressed "fundamental uncertainty" over its prospects as a going concern.

Net borrowings, meanwhile, have reached £19.4m against shareholders' funds of £11.8m.

City analysts, who expect pre-tax losses to fall from £3.2m to about £2m this year, blamed the group's problems on onerous contracts with publishers such as Associated Newspapers and Mirror Group Newspapers.

In an attempt to reduce its debt burden, the company earlier this month sold Hardy Printers, its only active subsidiary, to a management buy-out team for £1.85m.

At the time, the company said that even after the disposal the group would "only have sufficient working capital for its current requirements through the continued support of its existing bankers".

Astec continues to improve with 70% rise to £7.4m

By Caroline Southey

Astec (BSR), the Hong Kong-based and London-listed electronics company, continued to improve its performance with a 70 per cent increase in pre-tax profits and a 10 per cent rise in sales at the interim stage.

In the half year to June 24 pre-tax profits rose from £4.33m to £7.37m on turnover up from £136.4m to £150.3m.

Astec, 48.9 per cent owned by Emerson Electric of the US, claims to be the world's largest supplier of power conversion products.

Mr George Tamke, chief executive, said the improvement was achieved by the company's continued aggressive campaign to cut costs and drive down prices. "We are continuing to move production from high cost to low cost countries and to source more of our products in south-east Asia."

He said 80 per cent of Astec's products were now sourced in south-east Asia, compared with 60 per cent last year.

Earnings per share rose from 1.2p to 2.03p. An interim dividend of 0.40p (0.25p) is declared.

Mr Tamke is stepping down as chief executive. He will be replaced by Mr David Farr, formerly president of Emerson Electric Asia-Pacific.

● COMMENT

It must be a measure of Mr Tamke's success that news of his departure as chief executive knocked 2p off Astec's share price despite excellent figures. But the shock should be short-lived as his replacement is from the Emerson Electric stable. But how much more can Astec drive down costs and what will be the knock-on effect of continued cuts in personal computer prices? Already Astec is seeking to reduce its dependence on pc makers. Benefits from improved margins should now become incremental but profit forecasts of £21m for the full year suggest the group will continue to report moderate growth. At 91½p the shares are trading on a prospective p/e of more than 15 to 16. With the shares close to their 12-month high, the new chief executive has a lot to live up to.

SB's $2.9bn bid may hit credit rating

By Richard Waters

SmithKline Beecham's planned $2.9bn (£1.87bn) purchase of the consumer health operations of Sterling Winthrop could cost it its double-A credit rating, potentially adding to the borrowing costs associated with the deal.

Yesterday Standard & Poor's, the US ratings agency, said it was reviewing the Anglo-US group's credit standing and may downgrade it.

This follows a similar announcement by rival agency Moody's late on Monday, after the Sterling deal was announced.

Both agencies currently accord SB their lowest double-A rating, AA-minus in the case of S&P and AA3 for Moody's.

A downgrade would take the company into the single-A category.

This could raise its debt costs, since many bond holders are restricted to owning securities issued by companies or other entities with ratings of double-A or above.

Cathay Intl ahead to £469,000

By Simon Davies

Cathay International Holdings, the London quoted investment company formerly known as Stonehill, yesterday announced that net assets had risen from £62.9m to £233.2m, following a series of investments in China made last year.

Pre-tax profits for the year to March amounted to £469,000 (£264,000), however, the company received no meaningful contribution from either of two substantial new assets, the Landmark Hotel in Shenzhen and the Xiyuan Hotel in Beijing.

Last year, the company was transformed from a shell, containing the Stonehill business park, into the holding company for those two hotels and a related property development project.

Turnover during the year rose from £4.03m to £5.94m, and operating profit amounted to £1.28m (£1.86m).

Losses per share emerged at 0.09p (0.066p). There is no dividend.

The company has eliminated the deficit on its profit and loss account, but still owes £336,000 of preference share dividends. It has given no timescale for reviving dividends.

Israel Fund assets fall

By Bethan Hutton

Net assets per share of the Israel Fund fell by 12.5 per cent to 83.54 cents (54p) between the trust's launch on March 17 and July 31 this year.

Mr Michael Connors, manager of the trust at BZW Investment Management, said the results reflected a difficult year so far for the Israeli stock market.

It has been hit by inflation worries, interest rate rises, the proposed imposition of a capital gains tax, and concerns over progress in the Middle East peace process.

When the Israel Fund was launched, the main Tel Aviv index stood at 208. By May it had risen to a high of 229, but subsequently dropped to 149, and has since recovered to about 184. Over the period March 17 to July 31, the Mishtanim index fell by 14.1 per cent in dollar terms.

The trust, which is the first UK-listed investment trust to concentrate on Israel, raised about $153m. Some two thirds is now invested, 80 per cent of which is in companies listed on the Tel Aviv stock exchange, with the remainder in Israeli companies listed on US stock exchanges.

Earnings were 0.19 cents.

£15.4m Dutch buy for Bowater

Bowater is set to acquire Van Gelder Coatings, a subsidiary of Gelderse Papiergroep of the Netherlands, for Fl 41.5m (£15.4m).

Mr Michael Hartnall, finance director, said Van Gelder, which makes specialist paper or film for high value release liners and heat seal products, would be earnings enhancing immediately. In the last accounting period its turnover was about Fl 40m.

Mr Hartnall said the market for release liners – discardable protectors for adhesive surfaces – was worth about £1bn in the US and Europe.

Lombard Insurance beats forecast with £9.14m

By Simon Davies

Lombard Insurance, the recently floated provincial insurance group, comfortably exceeded its prospectus profits forecast for the year to June.

Pre-tax profits were £9.14m, compared with £8.65m forecast at the time of its May flotation. It has switched its year-end from December to June. In 1993 it made profits of £5.68m.

The shares closed 3p higher yesterday at 181p, compared with the 160p issue price.

Despite growing competition for household insurance from direct insurance companies, underwriting profits jumped from £100,000 to £1.5m in the six months to June.

Profits from personal motor insurance also rose strongly, from £700,000 to £1.4m.

Commercial insurance lines, however, remain the focus for expansion, and there was a £700,000 profit from underwriting commercial policies in 1994, reversing previous losses.

Total gross written premiums were up from £79.4m to £93.8m. The company has benefited from declining claims.

Continental, Lombard's previous owner, provided £38.9m to cover any claims for policies written prior to the management buy-out in May 1993.

About £15m of this fund has been utilised, but Mr Andrew Laing, managing director, predicted that a surplus would be available over the next two years.

The forecast dividend of 1.58p is to be paid. Pro-forma earnings were 18.1p per share.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Astec (BSR)	int	0.4	Nov 1	0.25	-	0.75
Bensons Crisps	int	nil	-	0.7	-	2.85
Clondalkin	int	2.017‡	Oct 14	1.834	-	4.732
Dixon Motors	int	1.25†	Nov 9	0.75	-	2.25
Inishtech	int	2.75‡	Feb 28	2.5	-	8
Lombard Ins	fin	1.58	-	-	1.58	-
Macfarlane	int	1.7	Oct 11	1.44	-	3.84
RJB Mining	int	5.2†	Oct 20	5	-	12

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡Irish pence.

Mining sale helps Dixon Motors

By Joan Gray

Dixon Motors, the acquisitive dealership chain which moved up from the USM in June, saw pre-tax profit for the six months to June 30 increase from £642,000 to £3.37m, with a £2.44m exceptional contribution from discontinued mining operations.

The group came to the USM last year after reversing into Plateau Mining; the exceptional resulted from the disposal of mining interests in Zimbabwe.

As a result of the change in the nature of the business and a corresponding change in the year end, comparisons are from the pro forma accounts for the six months ended June 30 1993.

Turnover increased by 55 per cent to £44.8m (£29m), with acquisitions contributing £364,000. Operating profit was ahead at £1.21m (£766,000); acquisitions contributed £61,000 against a £38,000 loss from discontinued operations last time.

Earnings per share came to 25.7p (4.2p). The interim dividend is increased by 67 per cent to 1.25p (0.75p).

HIGHLIGHTS

- Sound operational performance
- Billiton assets acquired
- Alusaf and Columbus projects on course
- Financial performance

Asset value up 37%

Attributable income 45,4 cents per share

Dividend 15 cents per share

GENCOR

	30.06.94 (Audited)	31.08.93 (Pro forma)	% change
Attributable income *R million*	625	612	2,1
Earnings per share *cents*	45,4	44,5	2,1
Cash earnings per share *cents*	31,8	35,6	(10,7)
Dividend per share *cents*	15,0		
Net assets *R million*	16 620	12 126	37,1
Net assets per share *cents*			
– at 30 June 1994	1 208	881	37,1
– at 26 August 1994	1 394		

HIGHLIGHTS FROM THE CHAIRMAN'S REVIEW

This has been another remarkable year for Gencor, one of prodigious growth, expansion and acquisition.

Gencor is now a focused but diversified natural resource group, with strategic holdings in world-class mining and metals businesses. Gencor's performance in the ten months ended 30 June 1994 has amply justified the decision to unbundle the group, which we took in May 1993 and implemented in November 1993. Our share price has risen by 72 percent and the increase in market capitalisation of Gencor and its former subsidiaries outstripped The Johannesburg Stock Exchange All Share index by 1,7 times. At 30 June 1994, Gencor's new year end, the discount of the share price to net asset value had reduced to 13 percent from an estimated 26 percent at the time of unbundling.

Against the backdrop of a slow but discernible economic recovery in North America, Japan and (to a lesser extent) Europe, commodity prices appeared to have bottomed out and it seems that we might have entered the first phase of a cyclical upturn. This has evidenced itself amongst the metals that we produce in more robust Dollar prices for gold, platinum and aluminium and in improving sales volumes for manganese alloys. However, important areas of market weakness were still experienced, and lower prices were achieved for ferrochrome and manganese ore, for coal and for rhodium.

The depreciation of the Rand assisted in achieving the much improved average Rand price of gold of R39 745 in this past financial year when compared to an average price of R32 826 for the 1992/93 financial year. The weaker Rand also ameliorated to some extent the impact of the lower Dollar prices referred to above.

Domestic trading conditions continued to be difficult, notwithstanding the signs of economic recovery which have appeared in recent months. It is especially pleasing that in the troubled months leading up to the election, Gencor's operating companies maintained operations at targeted levels without any significant disruptions.

Against this backdrop, Gencor's operating income rose strongly by 33 percent to R630 million. Deferred tax adjustments, arising from the reduction in the tax rate in Gencor's operating companies, as well as other abnormal items reported, contributed R69 million of that figure. Income from our cash and non-strategic investment portfolio declined by 68 percent, as we continued to invest our liquid and non-strategic resources in our major new projects. At the bottom line, attributable earnings rose to R625 million, compared to R612 million (after adjusting for unbundling) in the 1993 year.

In the 1993 annual report, I said that I would be disappointed if we could not achieve an EPS of 37,5 cents, which figure reflected the 1993 results without the once off write-back of past tax provisions.

In the event, earnings per share, based on attributable total income, reached 45,4 cents, which reflects a satisfactory result over 1993 against the backdrop described above. Even without the abnormal income of 5 cents per share referred to above, earnings were 40,4 cents per share, an increase of nearly 8 percent on the 37,5 cents per share achieved in 1993.

KOORNFONTEIN FIRE

The fire in the Gloria section of the Koornfontein mine caused the death of sixteen of our colleagues. Although ours is a resilient industry, the tragedy of this accident will live with us and their loved ones for many years. Special mention must be made of those who were involved in the rescue operations and it is entirely due to their efforts that seventeen miners were brought to the surface safely. We were supported by the whole industry and I pay tribute to the proto-teams and the mine management who brought us through a difficult time.

BILLITON

In July 1994, I announced that Gencor has acquired the major part of the upstream mining assets of the Royal Dutch Shell Group with effect from 1 July 1994, and that a number of conditions still had to be concluded before final completion of the transaction. At the time of writing, most of these conditions have been satisfied and it is expected that final completion will be by end October 1994. The purchase price of US $1 219 million represents good value at today's commodity prices and exceptional value at commodity prices which would justify the creation of new capacity. The funding of this transaction will be achieved without any contribution from South Africa and with absolutely no recourse to Gencor. This acquisition reflects our mission and vision of turning Gencor into one of the world's foremost natural resource groups.

ORYX

Oryx is having a long and painful labour. In 1993, I reported that poor development results had been achieved in the Oryx Gold Mine project. During the latter part of 1993 various reviews were carried out to confirm the original estimates in respect of the ore body and ore reserves, albeit at higher cost to bring the mine to production. These studies have recently been concluded and, while confirming a grade in excess of 7 grams per ton, indicate a 20 percent reduction in the total ore body tonnage.

Oryx is partially funded by shareholders loans and bank loans. The existing repayment schedule of the bank loans is not in line with the current plan for reef development and will have to be refinanced. Gengold had hoped to announce, during the first half of 1994, a plan to refinance these loans and to indicate the funding proposals to take Oryx to production. However, development is now beginning to penetrate areas where better values are expected, and Gengold has recommended that the re-financing be delayed until the development values in the vicinity of two important boreholes are known during the next few months. Gencor, as the major shareholder, has agreed to provide bridging finance for Oryx to the last quarter of 1994 to allow for the completion of this work. Thereafter a refinancing package will be addressed.

THE MAJOR PROJECTS

The Hillside Smelter project at Alusaf is proceeding well and is expected to be completed some five months ahead of schedule, with final capital expenditure forecast at R1 billion below budget. This is a saving of 14 percent of total project expenditure. The first metal is expected by mid-1995 and completion during 1996.

The Columbus Joint Venture is also proceeding in accordance with budget and plan. It is a great tribute to management that output and sales from the existing plant have been maintained at record levels, despite the difficult production circumstances brought about by the massive brown-fields expansion. First metal from the new facilities is also expected in mid-1995.

SECTORAL REVIEW

Gencor's gold portfolio, managed by **GENGOLD**, achieved an average price of gold for the period ended June 1994 of R39 745 compared to R32 826 of 1993. The average spot price for 1994 was R42 027. The overhang of the gold hedging programme scheduled to support our mines during the depressed conditions of 1992 and 1993 impacted on the price achieved by Gengold as the Rand spot price improved during the year. These hedges have now all expired and at year end no hedges were in place. At this stage, it is not envisaged that a further hedging programme will be implemented in the foreseeable future.

The ongoing improvements in productivity, improved gold prices and a change in accounting policy on the timing of the accounting for dividends receivable increased Gengold's total contribution by 23,6 percent.

IMPLATS performed well under difficult market conditions which saw rhodium prices fall by 52 percent. Implats' revenue, as a result, could not sustain the 1993 performance, and profitability declined for the second successive year. The effect of the weakening markets was offset by productivity improvements and more effective mining methods, which enabled the increase in the cost per kilogram of production to be contained at below the CPI in 1994. In spite of creditable productivity gains and contained capital expenditure, Implats' contribution to Gencor's earnings declined by R16 million. As a further measure to improve performance, Implats announced the closure of the loss making No 11 shaft in March 1994. The benefits are expected to accrue during the 1994/95 financial year. Notwithstanding the fact that rhodium prices have remained depressed, platinum prices have shown some improvement subsequent to the year end, and Implats is expected to increase its earnings in the year ahead.

SAMANCOR, as I reported last year, had taken steps to counter adverse market developments and significant restructuring had taken place. The results of these initiatives, together with a more favourable exchange rate, have enabled Samancor to post an increase in income of 60 percent and its total contribution to Gencor improved by 44 percent. In analysing these results, cognisance must be taken of the once off amount of R49,7 million relating to abnormal income items, mainly the receipt of export allowances in connection with a past claim which was settled during the year, profit on the sale of Tubatse No 5 furnace, the effect on deferred tax provisions of the reduction in the corporate tax rate, and certain writeoffs. Notwithstanding this, Samancor is expected to maintain its attributable income in the coming year.

Samancor has continued to further its international strategic alliances and during the year, it signed a joint venture agreement with Nippon Denko Corporation of Japan. This arrangement should further strengthen Samancor's chrome customer base in Japan. In addition, Samancor has also taken a 4 percent stake in the world's largest stainless steel producer, the French company Ugine. The transaction embodies firm supply contracts between Samancor and Ugine for ferrochrome and stainless steel hot band from Columbus, and with a value of some US $100 million annually at today's prices.

TRANS-NATAL'S operating income increased by 8 percent as a result of increased sales volumes and a depreciating Rand, but largely offset by weaker contract coal prices. Mining costs per ton decreased by 0,5 percent, due mainly to the effect of on-going capital expenditure and productivity improvements. This is the second year that the company has improved productivity by more than 20 percent. Sales of its export steamcoal reached the record level of 12,3 million tons and supply to Eskom increased marginally. The adverse effect of the increase in STC and the once off transitional levy was offset by the tax credit as a result of the lower corporate tax rate and resulted in Trans-Natal's total contribution to Gencor increasing by 8 percent.

The contract spot price for coal has shown signs of improvement as the demand for coal begins to outstrip current supply. This augurs well for the next round of negotiations. However, the benefits of any improvements in contract prices will only become evident in the last part of the 1995 financial year.

The contribution from **TITANIUM MINERAL SANDS** posted a healthy increase of 84 percent in 1994, which follows a 49 percent increase in the previous year. Richards Bay Minerals (RBM), in particular, performed beyond expectation, assisted by improved US Dollar and Rand prices for its products, as well as the effect of the lower tax rate on its deferred tax provisions. The substantial increase on 1993 in the current year also reflects the increase in Gencor's shareholding in RBM midway through 1992/93. It is expected that the Titanium Mineral Sands operations will again perform well in 1994/95 and their earnings should reflect further improvement, albeit if not to the same degree as last year.

In April 1994 we announced the acquisition of Mr Fred Keeley's shares in Keeley Granite at a price of 275 cents per share. This compares to a current market price of 400 cents per share. This acquisition increased our strategic holding in Keeley Granite to 50 percent.

NET INVESTMENT INCOME declined by 68 percent, mainly due to the realisation of some R700 million of our portfolio to fund our major projects and due to the reporting period being only ten months. The income for 1994 also reflects a profit of R59 million (1993 – R5 million) on the sale of a portion of our trading portfolio. Trading profits are likely to remain a normal feature of our investment returns while we invest our surplus funds in the equity market. As further funding will be required for Gencor's projects during the coming year, the level of investment income will decline further during 1994/95.

EXPLORATION EXPENDITURE on an annualised basis was at roughly the same level as 1993. Our activities span not only South Africa but, inter alia, many countries in subSaharan Africa, Asia, Australia, South America and Turkey. We are particularly pleased with the outcome of our initiatives in the Indonesian Province of Irian Jaya where promising results are forthcoming in the initial stages of exploration.

The combined contribution of the operating divisions increased by 33 percent in 1994 and the makeup of this contribution reflected a healthy diversity in Gencor's earnings resources. The relatively small increase in total earnings (after adjustment for abnormal income in the current year and the write back of the once off tax provision in 1993) of 8 percent was almost entirely due to the reduction in investment income due to Gencor's investment in its new projects. These projects should start contributing income during the 1996 financial year.

OUTLOOK

The election of April 1994 was a watershed in South Africa's political history, and the outcome, with its peaceful transition of power, a triumph for the democratic process. I, like many others, am convinced of the inherent strength and potential of our economy. Much is expected and much will have to be delivered. Gencor is committed to support this process and the unfolding RDP. We will play an increasing role in our communities and have set aside funds to finance this effort.

I look forward to a steady improvement in the overall level of commodity prices as the Japanese and German economies join the Unites States in a belated recovery. There is also possibility of a further weakening of the Rand. Both of these developments would impact favourably on our results for the coming year.

However, all South African companies operate within the context of domestic economic fundamentals. The current high levels of real interest rates do not augur well for increased fixed investment and the continuation of Exchange Control inhibits the development of normal capital markets. Both must be addressed as soon as possible if the economic recovery is to be sustained.

Gencor will continue to seek opportunities both locally and offshore to supplement and enhance its extensive local operations. Mining in South Africa is in a mature phase and for South African mining to continue to prosper, an appropriate degree of offshore development is vital for the continuing health of the industry and should be encouraged.

The Gencor Board has recently amended the mission to reflect its current vision. Our mission is to pursue real growth as one of the world's foremost natural resource companies. This we plan to achieve via our portfolio of focused, world-class mining and metals businesses, diversified by commodity and country, and by acting as entrepreneurs in resource ventures. However, we must recognise that Gencor has, over the past two or three years, undertaken an ambitious series of transactions and investments. I should now like to see these projects mature and produce the income and cash flow inherent in their potential. I hesitate to refer to a period of consolidation, as ours is an aggressive and acquisitorial group and it is in the nature of mining companies to expand into new opportunities to replace the old. Nevertheless, a period of bedding down is likely and the next few years should not see the same degree of acquisition and project activity as witnessed in the recent past.

One should reflect that Gencor has committed itself, with the support of its shareholders, to great events and opportunities during one of the most uncertain periods in South Africa's history. As South Africa emerges a stronger and more stable country, so Gencor should emerge as a strong, robust and profitable mining resource company.

Our current projects and acquisitions will not begin to deliver real value for at least another year. At the same time our investment portfolio will further decline as we need to fund our major projects. This will, as was the case in 1994, cause a further decline in investment income. Nevertheless, at the operating level I expect that attributable income will reflect a healthy improvement over 1994. Notwithstanding the expected decline in investment income, we should post improved earnings in 1995. In 1996, once new projects are in production mode, shareholders can, based on current expectations of the commodity cycle, expect strong improvements in both operating and total income.

As I indicated last year, Gencor plans to follow a more conservative dividend policy, reflecting the need of a focused resource company to maintain cash resources to fund its future expansion activities. Our long term policy is generally one of covering dividends at least 1,5 times from maintainable cash earnings. The 1994 dividends are approximately 2 times covered.

ATTRIBUTABLE INCOME

(R million)	10 months to 30.06.94 (Audited)	12 months to 31.08.93 (Pro forma)
Gold	131	106
Platinum	75	99
Coal	84	78
Ferroalloys	145	101
Titanium mineral sands	157	85
Aluminium	3	7
International and other	35	(2)
Operations	630	474
Exploration and project costs	(82)	(99)
Investments and corporate	77	237
Attributable income	625	612

FINAL DIVIDEND

A final dividend No. 137 (coupon No. 146) of 10 cents (1993 – 29 cents) per ordinary share has been declared, payable on 6 October 1994 to shareholders registered on 16 September 1994. The share register will be closed from 19 September to 30 September 1994.

In the case of non-resident holders of shares, tax of 15 percent will be deducted, where applicable.

The dividend is payable in the currency of the Republic of South Africa. Payments from the United Kingdom will be made in United Kingdom currency at the rate of exchange ruling on 26 September 1994, or on the first day thereafter on which a rate of exchange is available.

On behalf of the board

B P Gilbertson
M L Davis

Johannesburg
30 August 1994

COMPANY NEWS: UK AND IRELAND

RJB Mining achieves 23% growth to £6.8m

By Michael Smith

RJB Mining, the coal group, yesterday pressed its case for taking over all five British Coal mining regions as it reported a 23 per cent improvement in interim profits.

Mr Richard Budge, chief executive, said there was a lot of support for a unitary coal company in the UK because it could provide a higher level of investment, and industrial relations would be better.

Mr Budge said the board had not yet decided finally on what it would bid for. However, the expectation in the market was that it would put in a tender for all five regions.

RJB is considered one of the few potential bidders capable of raising the finance to take over all of British Coal's working mines. However, there would be considerable political obstacles to overcome because the government is thought to favour competition in coal.

Pre-tax profits in the six months to June 30 amounted to £6.82m, against £5.55m last time, achieved on turnover up from £37.7m to £49m.

Earnings per share were 10.9p, against a pro-forma 11p in 1993, and an interim dividend of 5.2p (5p) is declared.

Coal production was 1.34m tonnes, up from 930,000, with underground mines contributing 296,000 tonnes.

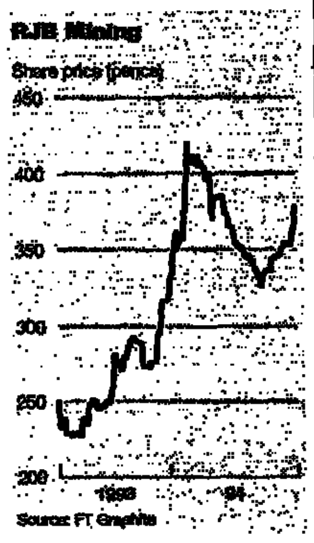
Mr Budge said the three deep mines recently leased from British Coal were on target to produce 2m tonnes when in full production next year.

RJB had identified markets for the foreseeable future for all the coal it produces, he said.

Monckton Coke & Chemical, bought in March, contributed £600,000 to group profits.

● COMMENT

These are sound results for a company readying itself for life after British Coal. By opening three deep mines and increasing its licensed opencast operations, the company should within 18 months be able to generate at least 80 per cent of profit from sources that are not directly dependent on British Coal or its successors. Some 18 months ago that figure was just 20 per cent. If all continues to go to plan, the transformation will mean that RJB can grow profits comfortably even if it does not succeed in winning the ownership of any of British Coal's five regions. That, together with results at the top end of expectations, helps explain why the shares continued to rise yesterday on top of recent advances. Assuming profits next year of £18.2m, the shares are trading on a prospective multiple of 16. Progress in the immediate future may be restrained by the British Coal bids and the near certainty that, with gearing already at 65 per cent, an issue of shares would be needed if the company's bids are successful.



Smurfit in I£20m Austrian purchase

By Peggy Hollinger

Jefferson Smurfit, the Irish packaging company, is injecting I£20.5m (£20.2m) into an Austrian paper producer, further strengthening its hold on the European corrugated market.

Smurfit, Europe's leading producer of corrugated paper with 10 per cent of the market, yesterday announced it would acquire 27.5 per cent of Nettingsdorfer Beteiligungs-Aktiengesellschaft, the fourth largest producer.

Earlier this month Smurfit announced plans to buy Cellulose du Pin, the paper and packaging interests of Saint Gobain of France, for £670m.

The latest purchase is Smurfit's first step into the eastern European and German markets.

Mr Dermot Smurfit, chairman and chief executive of Smurfit Continental Europe, said the company intended to increase its stake in Nettingsdorfer to more than 50 per cent through a further cash injection in the next two to three years.

The move could leave Smurfit with two of the three European mills producing kraft liner paper, a key component in corrugated manufacture.

Nettingsdorfer, a family-owned group quoted on the Austrian stock market, produces 320,000 tonnes of paper. It has been lossmaking in recent years but rising paper prices have helped it move back into profit in 1994 on a monthly basis.

The group is heavily indebted, however, after investing some I£120m in its Austrian Kraft liner mill. Debt as a percentage of shareholders' funds is estimated at about 400 per cent.

Mr Smurfit said his group had not been prepared to take on such debt. Any further holding increase would depend in part on Nettingsdorfer cutting borrowings, he said. The group is paying Sch310 (£18.17) per share, against Friday's suspension price of Sch253.

Cash pile currently at £20m and further acquisitions in the offing

Macfarlane (Clansman) rises 33%

By Peter Pearse

Macfarlane Group (Clansman), the Glasgow-based packaging group, lifted pre-tax profits by almost 33 per cent in the first half of 1994.

Lord Macfarlane of Bearsden, chairman, said the economic climate "had gently been getting better" and that the trend was still upward. A packaging company with all its activities confined to the UK was a reliable bellwether, he added.

Pre-tax profits grew to £7.09m (£5.35m) on turnover up 13 per cent at £52.5m (£46.3m). Interest receivable expanded to £573,000 (£363,000), though, with current low rates, Lord Macfarlane admitted that the group's £20m cash pile could be used better than remaining on deposit.

Cash balances in March had stood at £21m. Capital expenditure totalled £4m in the first half, with another £4m pencilled in for the second.

In August Macfarlane bought Centurion Packaging for £5.5m in cash and shares. This added the manufacturing of film products for packaging to the existing merchanting activities. Lord Macfarlane said he was seeking further acquisition possibilities, probably of a similar size to Centurion.

As well as packaging, which accounts for about 75 per cent of sales, the group has two other divisions – plastic moulding and development. The former makes bottle closures for whisky distillers and closures for the detergents industry.

Within development is a self-adhesive labels business, which "makes a lot of money" and to which Lord Macfarlane admits to being sentimentally attached, and a contract furniture merchanting business. Acknowledging it was an oddity within a packaging company, he said it occupied "a good site in the centre of Glasgow" and he was "waiting for a good fairy" to show interest. He expected to be able to sell it within the next two years.

The interim dividend is lifted to 1.7p (1.44p), payable from earnings of 6.14p (4.74p).

Alliance & Leicester advances 45%

By Alison Smith

Alliance & Leicester yesterday became the latest building society to report a sharp increase in interim profits, primarily reflecting a steep drop in provisions for bad and doubtful debts.

Pre-tax profits at the UK's fourth largest society rose by 45 per cent to £134.4m (£92.6m) in the six months to June 30. Provisions fell 72 per cent to £18.8m (£67m).

The society does not have to publish interim results, but Mr Richard Pym, finance director, said A&L had decided to do so for the first time to underline its accountability to its members.

In an intensely competitive market, it took an aggressive stance on mortgage lending in the first half, more than doubling it to over £1bn.

But in a reflection of competition and a narrowing of interest margins, net interest receivable slipped slightly to £265.6m (£270m). Other income, including fees and charges, rose by 10 per cent to £225m (£205.4m), largely as a result of higher profits from Girobank's corporate cheque and cash handling business.

Mr Pym said A&L was looking to develop further Girobank's relationship with Post Office Counters, if – as expected – the government gave the operation more commercial freedom.

Administrative expenses rose to £320.3m (£309.6m) and the society also had exceptional expenses of £17.1m (£6.2m). The cost-income ratio for the group, including Girobank, was 65 per cent – the same as in the first half of 1993.

Mr Peter White, chief executive, said the general expenses included spending on developing and launching the Alliance account, and that underlying costs were flat.

He expected exceptional costs of restructuring and relocating, as part of the group's strategic review, to be a continuing feature for the next couple of years.

Against a background of an uncertain housing market, A&L emphasised that it was not dependent on mortgage lending for growth, but had other opportunities, for example through greater cross-selling of financial products to its 5m personal customers.

Strong second half leaves Verity at £1m

After a strong second half which consolidated its return to the black at the interim stage, Verity, the manufacturer and distributor of Wharfedale and Mission loudspeakers, reported a pre-tax profit of £1.01m for the year to end-June.

The outcome compared with a deficit of £4.27m and was achieved on turnover of £24.1m (£16.2m).

The directors attributed the "encouraging result" to a turnround in Wharfedale's lossmaking operations and the continuing growth of Mission.

The interest charge was reduced to £379,000 (£870,000). Earnings per share emerged at 0.4p (5p losses).

Reduced borrowings aid Quality Street recovery

By James Buxton

Quality Street, the Glasgow-based company which describes itself as a private sector landlord organisation, returned to the black with pre-tax profits of £2m in the year to March 31 after two years of losses which totalled £28m by 1993.

Nationwide Building Society became the majority shareholder in January, controlling 75 per cent of the company after converting £50m of lending into non-voting preference shares.

The rest of the company is owned by Mr Paul Mugnaioni, chairman and founder, and the management.

As a result of the reduction in borrowing, interest payments fell from £17.5m to £7.6m.

The company also benefited from the conversion of a deficit on asset revaluation of £17.9m in 1993 into a surplus of £1.6m because of the rise in the value of its properties.

Turnover, consisting largely of rental income, was £13.6m (£12.3m) and gross profit was £10.2m (£9.2m).

As part of the deal with Nationwide, Quality Street took over about 2,000 houses which Nationwide had repossessed. It is now refurbishing these properties, scattered all over Britain, for rent. This will increase rental income to about £22.5m by the end of 1995.

High renewal rate helps Maid double to £440,000

By Alan Cane

Maid, the online business information supplier, more than doubled pre-tax profits to £439,832, against £207,108, in the first half of the year.

Turnover rose 53 per cent to £3.97m (£2.6m).

The market anticipated the improvement, however, and the shares were unchanged at 74p, having moved up from 60p over the past few weeks.

The company joined the main market at 110p in March, but saw its share price slide almost immediately reflecting worries about competition for customers and for sources of data available to the company.

Its core services – Researchline, Newsline, Companyline and Brokerline – provide business information in a variety of formats.

Yesterday the company said that usage of its information services had increased by 68 per cent over the same period in 1993. New subscribers numbered more than 130 and renewal of subscriptions was more than 85 per cent.

Earnings per share were 0.39p, against 0.24p. There is net cash of £10.7m.

Mr Michael Mander, chairman, said that more than 50 companies were using a version of Maid designed to run under Lotus Notes, the leading software for groups. He also said that a version running under Microsoft Windows was expected to be launched in the first quarter of 1995.

Guinness Peat drops 26% after Australian setback

By Christopher Price

Guinness Peat Group, the UK investment vehicle of Sir Ron Brierley, the New Zealand entrepreneur, yesterday reported a 26 per cent fall in interim profits after its Australian fund management and life assurance business ran into losses.

Despite turnover ahead to £21.3m (£13m), pre-tax profits for the six months to June 30 fell from £6.75m to £4.97m.

However, strong growth from the rest of the group, particularly the Brown Shipley stockbroking side, and a sharp fall in the tax charge saw earnings per share increase 43 per cent to 1.09p.

Tyndall Australia, in which GPG has a 52 per cent stake, swung from a £4.8m profit last time to losses of £1m. GPG blamed the decline on falls in the Australian investment market during the first half and added that the situation had now stabilised.

Mr Blake Nixon, executive director, said the group's attention would focus on managing existing investments after its recent busy programme of acquisitions and disposals. "Although we will still be looking out for investment opportunities, we will be concentrating on consolidation and adding value to our existing portfolio," he said.

Mr Nixon reiterated that the group would consider returning to the dividend list next year – the last distribution was in 1990.

Buckingham faces £4m legal bill

By Reg Vaughan

Buckingham International, the lossmaking property, hotels and nursing group, yesterday said it faced a total bill of £4.3m after judgment was given against the company last month in litigation with the former directors and owners of Worldwide Dryers.

Buckingham, which also announced pre-tax losses cut from £62.5m, after a £59.1m property provision, to £904,000 for the half year to May 1, said the judgment was for two amounts – £3.31m and £368,722, plus estimated costs of £600,000.

Sir David Hardy, chairman, said that after taking legal advice, an appeal had been lodged against the judgment of £3.31m which resulted in a stay of execution until October 17. He said it was intended to seek a further stay until the appeal was heard.

However, the £368,722 was now liable to be paid and as the company was unable to pay at this stage it was in talks with judgment creditors with a view to them participating in a bank support plan.

Sir David said the group's future was dependent among other things on the stay of judgment being obtained, the discussions with judgment creditors being satisfactorily concluded and agreeing an extension to the support plan which ends on October 31.

Turnover slipped to £20.7m (£24.4m) including £1.96m (£5.13m) from discontinued activities. Interest charges were cut by £1m to £3.2m. Losses per share came through at 0.8p (51.9p).

The shares closed unchanged at 3p.

Losses widen to £1.69m at Bensons Crisps

Pre-tax losses deepened from £386,000 to £1.69m at Bensons Crisps, the Preston-based food manufacturer, for the half year to May 28.

The loss was after exceptional costs of £845,000 relating to the closure of three sites.

Turnover edged ahead from £16.5m to £17.6m but operating losses were £448,000 (£256,000). There were interest charges of £401,000 (£130,000).

Losses per share emerged at 7.7p (3.2p) and the interim dividend is passed (0.7p).

NEWS DIGEST

All round growth for Clondalkin

Improving demand for most of its products helped Clondalkin, the Dublin-based printing and packaging group, achieve a 34 per cent advance in pre-tax profits from I£4.64m to I£6.23m (£6.15m) in the half year to end-June.

The increase was achieved on turnover up from I£74.3m to I£92.6m. Earnings per share came out at 10.63p (8.03p) and the interim dividend is raised to 2.017p (1.834p).

Irish operations had benefited from corrective actions taken last year, while more buoyant conditions in the UK had helped the profits advance, said Mr Domhnall McCullough, chairman.

In the US, the flexible packaging and business forms companies showed good volume and profit growth, although commercial printing continued to be a difficult sector and operations had been cut again, he added.

Inishtech

Inishtech, the packaging and labels group, reported profits of I£3.9m (£3.85m) before tax for the six months to June 30, against I£3.6m.

The 8 per cent increase was achieved on turnover ahead 18 per cent to I£31.8m (I£27m), including a contribution of I£1.99m from acquisitions – six over the past 12 months which currently achieve combined annual sales of some I£7m.

Mr Thomas Toner, chairman, said that the group's UK-based companies performed satisfactorily but warned that a disappointing showing from Label Art, the Dublin-based self-adhesive label offshoot, would "have a restricting effect" on the trading outcome in the second half. Sales at Label Art declined 13 per cent on a year-on-year basis, following the loss of a contract with its largest customer.

The interim dividend goes up 10 per cent to 2.75p, payable from earnings of 16.8p (15.9p) per share.

Some 70 per cent of the issued capital is held by James Crean, the Irish industrial holding company.

Compel

Compel Group, the computer systems and services company, yesterday announced a sharp increase in full year profits ahead of its flotation next month.

Pre-tax profits more than trebled from £604,000 to £2.06m as the group benefited from a wide-ranging restructuring in the year to June 30.

Mr Neville Davis, chairman and chief executive, said the outsourcing and consultancy businesses had grown strongly following the shake-up, which saw staff numbers cut by 14 per cent to 227.

Launching the pathfinder prospectus, he added: "Overheads have been cut but we need to raise fresh funds to continue growing the business."

The company hopes to raise about £5m of new money from the flotation, involving the placing of shares worth about £11m.

London Finance

London Finance & Investment Group saw a rise in net asset value per share from 31.93p to 35.23p at the half year ended June 30, a fall from 36.67p on December 31 1993.

The results for the half year are dominated by the agreed takeover of NMC by Britton Group, with London Finance realising most of its investment in cash on July 4.

The sale of the investment was taken as an exceptional item of £4.43m giving available profit of £3.12m (£79,000) and earnings per share of 12.25p (0.32p).

EIS

EIS Group, the specialist engineer, has acquired 76 per cent of the share capital of Henrich of Herborn, Germany, a maker of wire drawing and coiling machinery.

Consideration is DM750,000 (£316,000) with an obligation to refinance current bank borrowings of DM12.5m. The price may be adjusted following a net asset valuation audit.

In 1993 Henrich incurred operating losses of DM3.2m on turnover of DM48.6m.

Wates Leisure

Wates Leisure, part of the privately owned Wates Building Group, has raised about £15m in expansion capital ahead of a stock market flotation within the next five years.

The company owns and manages five health and fitness clubs in the south-east of England.

Phoenix Fund Managers led the £5.5m equity injection and the Bank of Scotland will be providing up to £12m of debt. Retained earnings will bring to about £20m the funds available to double the size of Wates Pinacle health and leisure clubs over the next three years.

COMMODITIES AND AGRICULTURE

Strike threat lifts nickel price

By Robert Gibbens in Montreal

A pay and conditions offer by Falconbridge of Canada, the second biggest western nickel producer, has been rejected as "unrealistic" by the mine, mill and smelter workers' union at its operation in Sudbury, Ontario but talks were continuing yesterday in the hope that a walkout by 1,300 miners at 8 am today could be averted.

Neither side would reveal the terms of the offer, but Mr Gary Hrytsak, vice-president of Local 598, said: "It looks as though we'll be walking out barring an 11th hour company proposal".

He said the union had asked Falconbridge to negotiate realistically on money, job security, contracting-out, fringe benefits and overtime, but "the company continues to drag its feet". Mr Gerald Foley, Falconbridge's chief negotiator said, however: "We believe we have a realistic offer on the table and that in the remaining hours we both can reach agreement".

Last year Falconbridge produced 38,500 tonnes of nickel and 48,000 tonnes of copper at its Sudbury mines, plus cobalt and platinum group metals. With its neighbour Inco, it has recently found major new sources of high grade ore at greater depths.

Inco settled with its mine unions last May. The hourly rate remained unchanged in the three-year contract but the benefits package amounted to about 4 per cent over the contract life.

Reaction at the London Metal Exchange was muted, nickel's three months delivery price closing only $132.50 higher at $6,125 a tonne.

Anglo aims to be big player in mineral sands market

By Kenneth Gooding, Mining Correspondent, in Namaqualand

Here on this remote coast in the least populated region of South Africa Anglo American Corporation is putting the final touches to a project that will enable this country's biggest company to elbow its way into the global mineral sands market, which is dominated by RTZ of the UK.

The Namakwa Sands project, based on one of the world's biggest mineral sands deposits, will, by Anglo's calculations, by the year 2000 give it nearly six per cent of the US$1bn titanium dioxide business, supplying a material essential in the production of many paints, papers and plastics.

Anglo also aims for more than 13 per cent of the $160m market for zircon, used to impart whiteness to ceramics such as tiles, sanitary ware and china. Namakwa will also produce pig iron, used in many foundry applications but particularly for automotive castings. This market should be worth about $850m by the turn of the century and Anglo is looking for a modest 2 per cent.

Mr George Brown, general manager of the Namakwa Sands company, stresses that Anglo is not taking a particularly aggressive approach. With demand for titanium dioxide growing annually at between 2.5 and 3 per cent there should be room for a newcomer in an industry with only a handful of competitors.

Namakwa has only one real rival, he says, Richards Bay Minerals, which is mining on South Africa's east coast and has more than half the market. Its major shareholder is RTZ.

All mineral sands are radioactive but the level is low in the Richards Bay and Namakwa material, he says. This gives them a marketing advantage, particularly with countries such as Germany and Japan where customers are edgy about this factor.

RTZ also owns QIT which mines mineral sands in Canada. Australia is another big producer via Renison Goldfields in which Hanson, the Anglo-American conglomerate has a 40 per cent interest.

Anglo owns 80 per cent of Namakwa, which is mining a deposit near the sea about 80km north-west of Vredendal on the west coast of the Cape Province. The deposit, containing enough mineral sands for 35 years production, was nearly overlooked when the company explored the area because its radioactivity was so much less than sands further north. It is on land bought in the 1930s for its diamond potential by De Beers, Anglo's sister company, which has 20 per cent of the project.

Sensitive to the environmental issues that loomed large when Richards Bay recently wanted to mine beach sands, Namakwa has hired Mr Johan Grobler, a botanist with 26 years experience at the Kirstenbosch Gardens in Cape Town, as environmental officer. As it would not be possible to rehabilitate the beach here properly the company will not mine 20m tonnes of sand with a theoretical value of $90m.

Elsewhere it is spending $330 a hectare to rehabilitate an area where farm land costs only $33 a hectare.

The mineral sands are mined and put through concentration plants at the mine site before being trucked along a new road to a mineral separation plant 60km away at Koekenaap. This plant was built away from the mine because of the fog that frequently envelopes the area. Namakwa hopes to turn this phenomenon to its advantage and is experimenting to see if it can collect fresh water from the fog. In Chile a similar scheme resulted in three litres of water a day being collected from every square metre of special screening material, enough to provide for a small community that previously had to truck in its water at great expense.

Material from the separation plant will be sent by rail to a new smelter nearly 200km away near the Saldanha Bay export terminal. Most will be stored before shipping but the ilmenite will be upgraded to titanium dioxide slag, worth more than three times as much. The smelter is the first in the industry to use direct current or plasma arc technology which has been employed successfully by South Africa's ferrochrome producers. Anglo worked with Mintek, a South African government sponsored technology group, to develop the technology.

The smelter should be ready early next year and by 2000 Namakwa should be in full production, employing more than 800 people and producing annually 196,000 tonnes of titanium dioxide, 119,000 tonnes of pig iron, 123,000 tonnes of zircon and 36,000 tonnes of rutile.

About 95 per cent of the revenue is expected to come from overseas customers in Europe and North America. Anglo estimates that annual export earnings at full production will be equivalent to $80m in 1994. This export potential, coupled with the upgrading of the ilmenite, helped get the project off the ground financially. Namakwa qualified for a special tax scheme for big exporters that was worth $45m when the project was given the go-ahead in November 1992.

Namakwa is also benefitting from a loan of $60m with deferred interest of $6.6m from the Industrial Development Corporation, another South African government backed organisation. Anglo and De Beers have put up the equity of R576m ($127m).

Aluminium pact probe shrugged off at LME

London Metal Exchange traders yesterday shrugged off last Friday night's news that a US investigation was being mounted into the operation of the informal aluminium output-cutting pact agreed earlier this year.

Reuters reported from Washington that the Justice Department had sent letters to US producers in response to an allegation of price fixing.

Several producers had confirmed they had received a "civil investigative demand" from the department but declined to comment on the specific allegations.

However, industry officials said producers were accused of using the pact as a cover for price fixing.

"We recently received notice of an investigation and a civil investigative demand from the Department of Justice regarding primary aluminium production," said Mr Tom Hagley, director of public and investor relations with Alumax.

"We intend to co-operate with the government's investigation. The company is confident that its activities and operations have conformed with applicable laws."

A memorandum of understanding was signed in March by major aluminium producers in an attempt to resolve over-supply problems that worsened when Russia began selling on world markets.

In Brussels the European Aluminium Association told Reuters it was very surprised about the investigation.

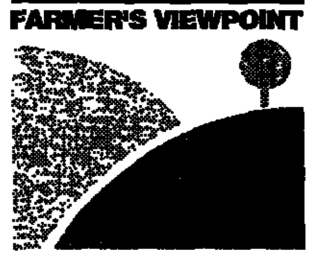
"I don't understand it," the EAA president Mr Dick Dermer said, noting that the Justice Department was "well represented" at the pact negotiations.

At the LME the three months delivery aluminium price rose $3.75 yesterday to close at $1,517.50 a tonne.

Britain's grain harvest lower but good in parts

Unfavourable weather has hit yields in some parts of the country, though quality is up to standard

FARMER'S VIEWPOINT



By David Richardson

In 35 years of farming I can remember only three occasions when we have finished the harvest before the end of August – and this year is the third. It was achieved by working over most of the bank holiday weekend.

If I am totally honest I should admit that we have not quite finished; there are still a few beans to do as well as a couple of fields of linseed grown for industrial use on set-a-side land. But all the wheat is in the barn. That represents the main harvest on this farm, so we feel we can relax a little.

As I forecast in this column a few times, yields were down on last year, although not as drastically as I once feared. The appallingly wet conditions into which many of the wheat crops were planted last Autumn, followed by still more unwelcome rain in the spring and then a heatwave in July, were hardly the best mix of weather for heavy yields.

But as I drove the combine harvester during the regular drivers' meal breaks, I was pleased to note that some of the patches that were flooded for much of the winter had recovered quite well. Only the crops planted after sugar beet into near-impossibly muddy conditions were really thin. In the event I estimate, in advance of putting the crop over a weighbridge, that we have harvested between half and three quarters of a tonne less wheat per acre than last year to average about three and a quarter tonnes. It could have been so much worse.

I am told by farming friends in other parts of the country that this drop in yield is by no means universal. In the south and west of England most wheat yields have been as good or better than last year. The most disappointing crops have been in the east, where I farm, and the north, although there is still a considerable acreage to harvest in the north and Scotland so it is perhaps too soon to make a definitive judgment on the size of the national crop.

It is fairly clear, however, that all over the UK the quality of the grain is generally good and well up to European Union, and therefore merchants', required standards. This applies to both berry size and weight although, in the case of milling wheat, protein content and baking quality are somewhat variable.

More satisfying is the price which is probably more than £10 a tonne (10 per cent to 12 per cent) more than most UK farmers budgeted last year.

There are a number of reasons for this. The continuing devaluation of sterling against other EU currencies has, through the green monetary system, raised the UK intervention price for common (milling) wheat and that has created a firm base for all wheat, including that grown for feed, even that sold for delivery before intervention starts in November.

Higher than expected grain prices are not confined to the UK, however. All over Europe they are above budget. This can only be because perceived shortage compared with expected demand across the community as a result of a combination of set-a-side, below average yields and the likely requirements of third countries.

But high grain prices add to the problems of the already stretched intensive livestock sector by raising the cost of animal feed. In order to try to reduce this burden the European Commission, a few days ago, increased the volume of grain on EU markets by releasing 1.6m tonnes from the 14m it held in intervention stores. Prices dropped a couple of pounds a tonne as a result but only for a few days and have since bounced back almost to where they were before the release. The trade obviously believes the shortage is real for the time being.

Meanwhile, according to the International Wheat Council, world wheat production is expected to be down by 23m tonnes this year as a result of reductions in output in several northern hemisphere countries and declining prospects in Australia.

So, as I steered the combine harvester round our final field of wheat last weekend I reflected how times had changed. It seemed only yesterday that we farmers were being accused of producing grain that nobody wanted. "Put your farms down to trees and theme parks," the critics had said. "We don't need you any more." And most of us in the UK responded by reluctantly accepting the EU's shilling to set aside 15 to 18 per cent of our land.

Is that policy already out of date? Is it time to bring that land back to cultivation? Can we rely on the politicians, who usually take years to make a decision, to react fast enough to avoid a major world grain shortage?

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1497-8	1517-8
Previous	1485-6	1513.5-4
High/low	1494	1532/1516
AM Official	1494-4.5	1524-4.5
Kerb close		1520-1
Open int.	273,621	
Total daily turnover	31,379	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1537-40	1550-60
Previous	1550-5	1562-5
High/low		1580/1575
AM Official	1560-70	1570-80
Kerb close		1555-65
Open int.	2,781	
Total daily turnover	844	

■ LEAD ($ per tonne)

Close	588-9	605-6
Previous	575-6	592-3
High/low		613/601
AM Official	588-9	605-6
Kerb close		606-7
Open int.	40,289	
Total daily turnover	11,670	

■ NICKEL ($ per tonne)

Close	6025-35	6120-30
Previous	5905-15	5900-5
High/low	6035	6185/6075
AM Official	6030-2	6120-5
Kerb close		6150-60
Open int.	54,615	
Total daily turnover	13,405	

■ TIN ($ per tonne)

Close	5345-50	5425-30
Previous	5280-90	5355-60
High/low		5450/5415
AM Official	5360-5	5440-5
Kerb close		5430-40
Open int.	17,676	
Total daily turnover	9,548	

■ ZINC, special high grade ($ per tonne)

Close	965.5-6.5	989-90
Previous	963-4	986-7
High/low	965.5/964	1002/988
AM Official	965-6	988.5-9
Kerb close		990-1
Open int.	95,990	
Total daily turnover	19,177	

■ COPPER, grade A ($ per tonne)

Close	2457.5-8.5	2469.5-70
Previous	2416-7	2427-8
High/low	2468	2488/2469
AM Official	2468-9	2479-80
Kerb close		2475-6
Open int.	212,471	
Total daily turnover	67,609	

■ LME AM Official £/$ rate: 1.5339
LME Closing £/$ rate: 1.5326

Spot:1.5351 3 mths:1.5332 6 mths:1.5308 9 mths:1.5265

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open Int	Vol
Aug	114.00	+2.20	113.60	112.30	159	125
Sep	114.00	-1.00	114.20	112.70	10,301	4,965
Oct	113.75	+0.80	113.65	113.20	985	88
Nov	113.60	+0.65	113.30	113.00	603	2
Dec	113.45	+0.50	113.60	112.35	28,848	3,247
Jan	113.00	-0.50	112.40	112.40	424	2
Total					48,421	8,862

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	388.30-388.70	
Opening	388.35-388.75	
Morning fix	386.15	251.777
Afternoon fix	386.60	252.136
Day's High	386.90-387.30	
Day's Low	385.90-386.30	
Previous close	383.10-383.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.30 6 months 4.50
2 months ....4.32 12 months 4.89
3 months 4.33

Silver Fix	p/troy oz.	US cts equiv.
Spot	350.75	538.20
3 months	355.15	544.30
6 months	360.30	551.30
1 year	373.40	567.65

Gold Coins	$ price	£ equiv.
Krugerrand	391-394	255-257
Maple Leaf	397.50-400.00	-
New Sovereign	90-93	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open Int	Vol.
Sep	388.1	-1.4	-	-	183	3
Oct	387.8	-1.1	389.7	387.4	9,119	962
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	105.15	-0.10	105.20	105.20	272	17
Nov	105.80	-0.30	105.80	105.60	2,456	84
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	219.6	-8.3	223.0	217.0	1,275	157
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,275	157

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open Int	Vol
Aug	1462	-6	1465	1465	428	3
Sep	1373	-2	1370	1370	620	10
Oct	1384	-1	1384	1380	862	25
Jan	1398	-	-	-	513	-
Apr	1425	+5	-	-	169	-
Jul	1350	+85	-	-	60	-
Total					2,662	38

	Close	Prev
BFI	1448	1466

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	989	-31	1013	984	5,061	1,479
Dec	1021	-37	1050	1019	31,042	8,020
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Oct	12.12	+0.08	12.20	12.10	52,334	8,887
Mar	12.17	+0.07	12.23	12.14	55,384	4,152
May	12.12	+0.07	12.15	12.08	10,270	637
Jul	12.04	+0.08	12.06	11.98	4,550	228
Oct	11.91	+0.08	11.91	11.86	1,552	56
Mar	11.50	-	11.50	11.50	484	-
Total					124,579	12,070

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Oct	70.33	-0.57	71.06	70.28	4,588	1,277
Dec	69.18	-0.77	70.15	69.10	29,571	7,261
Mar	70.35	-0.67	71.25	70.37	9,374	381
May	71.38	-0.72	72.20	71.62	4,651	239
Jul	72.10	-0.60	72.85	72.50	3,492	56
Oct	70.15	-0.45	71.10	71.00	419	12
Total					53,031	9,280

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	93.10	+2.00	93.20	90.00	3,160	1,477
Nov	97.00	+2.15	97.00	93.60	9,307	1,661
Jan	100.65	+1.95	100.80	97.60	4,704	645
Mar	103.45	+1.35	103.50	101.25	2,395	147
May	106.96	+1.35	-	-	664	9
Jul	108.96	+0.85	108.50	108.50	471	3
Total					21,187	4,243

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Oct	71.300	+0.500	71.300	70.800	35,388	5,602
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER (Grade A) LME

[illegible]

■ COFFEE LCE

[illegible]

■ COCOA LCE

[illegible]

■ BRENT CRUDE IPE

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Oct) +or-

Dubai	[illegible]	[illegible]
Brent Blend (dated)	[illegible]	[illegible]
Brent Blend (Oct)	$16.24-6.27	-0.065
W.T.I. (1pm est)	$17.34-7.38k	-0.130

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$180-181	-1.0
Gas Oil	$152-153	
Heavy Fuel Oil	$79-80	-0.5
Naphtha	$158-159	+0.5
Jet fuel	$166-168	+0.5

Petroleum Argus assessments

■ OTHER

Gold (per troy oz)♣	$386.50	+3.20
Silver (per troy oz)♣	538.0c	+16.5
Platinum (per troy oz.)	$411.75	-2.00
Palladium (per troy oz.)	$151.75	
Copper (US prod.)	118.0c	+4.0
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.38m	+0.03
Tin (New York)	250.5c	+2.0
Cattle (live weight)†©	116.53p	-2.53*
Sheep (live weight)†♠©	87.91p	-2.62*
Pigs (live weight)©	77.36p	-2.36*
Lon. day sugar (raw)	$307.40	-1.10
Lon. day sugar (wte)	$346.00	-4.00
Tate & Lyle export	£313.00	+2.00
Barley (Eng. feed)	£107.0w	-0.5
Maize (US No3 Yellow)	$140.0	
Wheat (US Dark North)	£180.0	
Rubber (Oct)♥	90.50p	+0.25
Rubber (Nov)♥	89.50p	+0.25
Rubber KL RSS No1 Aug	318.00m	-1.50
Coconut Oil (Phil)§	$595.0z	-10.0
Palm Oil (Malay.)§	$620.0w	-2.5
Copra (Phil)§	$415.0	
Soyabeans (US)	£185.0u	
Cotton Outlook 'A' index	78.85c	+1.85
Wooltops (64s Super)	464p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov/Jan. t Oct. z Sep/Oct. w Sep . ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,250-5,450 (5,200-5,400). Bismuth: min. 99.99%, tonne lots 3.90-4.25 (3.80-4.30). Cadmium: min. 99.5%, 125-140 cents a pound. Cobalt: MB free market, 99.8%, 22.75-23.50 (22.50-23.50); 99.3%, 20.00-20.85 (19.50-20.50). Mercury: min. 99.99%, $ per 76 lb flask, 110-125. Molybdenum: drummed molybdic oxide, 3.60-3.65 (3.50-3.60). Selenium: min 99.5%, 3.35-4.55. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 37-47. Vanadium: min. 98%, cif, 1.40-1.60. Uranium: Nuexco exchange value, 7.10.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

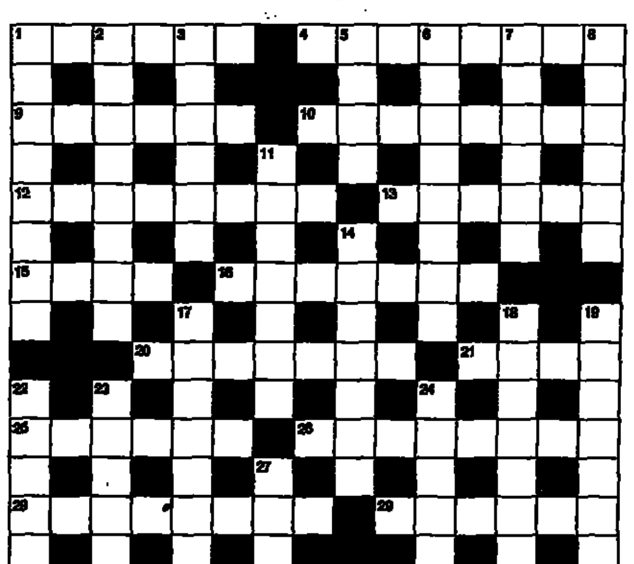
Aug 30	Aug 29	month ago	year ago
2104.4	(c)	2108.6	1636.0

■ CRB Futures (Base: 1967=100)

Aug 29	Aug 26	month ago	year ago
232.02	231.99	234.30	218.92

CROSSWORD

No.8,546 Set by DANHER



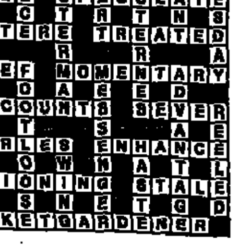
ACROSS

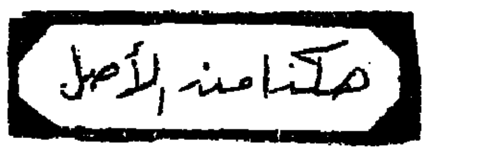
1 Swift work of art is to the point (6)
4 Henry, stuffy, is very angry (8)
9 Foot-faults, say, do not begin in such leagues (6)
10 Chaff not recommended for the elderly? (8)
12 Native of South America who may take in building society workers? (8)
13 Craft floated long ago by two big banks (6)
15 Carve out of wet chalcedony (4)
16 The last train? (7)
20 See Brideshead, perhaps, not for the first time? (7)
21 Love-mate's stone (4)
25 Sappers attend to try again (6)
26 Ivy's partner, seasonally, on the beach (3-5)
28 Bath v Chelsea? (8)
29 Sound turned up in the library (6)
30 Pitch in which to score, possibly, one point? (8)
31 Coves of silent disposition? (6)

DOWN

1 Bangers as put up by Customs? (8)
2 PC 30, ailing, needs three tablets together (8)
3 Split a pound for the hire cost? (6)
5 A western leader always abroad? (4)
6 Fence in poor condition in outskirts of Ross (8)
7 Nail polish displayed by Philomena Melville (6)
8 Scandinavian country nurse about to marry (6)
11 Settle is put up in warehouse (7)
14 Organist who left his mark? (7)
17 Old penny is under a mobile (8)
18 Cheering new papal practice (8)
19 Tennis umpire's instruction in little dramas? (8)
22 Language from cab, air-conditioned? (6)
23 Small sums only for bell-ringing (6)
24 Seat we hear delivered illegally (6)
27 Bit of a holiday? (4)

Solution 8,545





LONDON STOCK EXCHANGE

MARKET REPORT

Profit-takers hit shares in the blue chip sectors

By Terry Byland, UK Stock Market Editor

The leading blue chip sectors abandoned an initial attempt to extend pre-Bank Holiday gains. Modest profit-taking, encouraged by easier bond prices and a slow start to the New York session, proved enough to take more than 15 points off the FT-SE 100-share Index. The broader market, however, remained firm, and the FT-SE Mid 250 Index put on a further 6.8 at 3,813.8. London closed before the announcement that leading French banks were raising base rates.

UK investors were said to be showing some caution ahead of tomorrow's meeting at the Bundesbank and US employment data due at the end of the week. Dealers believed that the odds are against any move in German interest rates this week but were disinclined to take risks. Trading books, which had been squared off on Friday in order to leave options open over a long weekend when US and continental European markets were operating, remained balanced.

The final reading put the FT-SE 100 Index at 3,249.6 for a decline on the day of 15.5 points. The loss of the Footsie 3,250 mark was seen as unimportant in the context of last week's strong gains. Early trading took the Footsie index to 3,280 but weakness in stock index futures and government bonds took the heart out of equities before midsession. The final picture was uninspiring, with London lacking confidence as the Dow Jones Industrial Average dipped 2 points as investors weighed the implications of a sharp setback in the July consumer confidence index compiled by the US Conference Board.

Disappointment with the US figures focused attention on prospects for the more important US employment data due on Friday. Analysts expect a further rise in the jobs figure, indicating continued recovery in the US.

Trading remained brisk, with Footsie-listed stocks representing the bulk (around 64 per cent) of the Seaq total of 550.3m shares changing hands. On Friday, retail, or genuine investment, business was worth £1.51bn, well up to the better levels of activity recorded as the market surged last week.

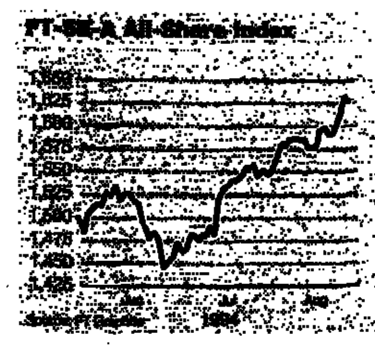
Market fundamentals behind last week's advance were still in place, sterling showing a steadier trend and confidence in the outlook for dividends and earnings of British companies was still buoyant. However, some market analysts had reminded investors at the weekend that higher base rates in the UK were still likely before the end of the year.

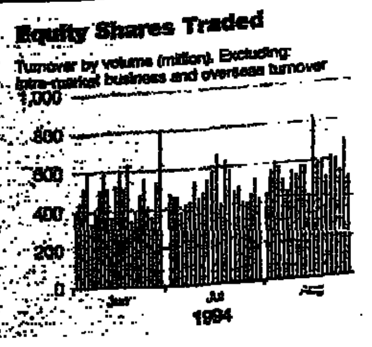
Pharmaceuticals stocks found encouragement in the $2.9bn purchase by SmithKline Beecham of Sterling Health from Eastman Kodak, which once again threw the spotlight on the reshaping of the global medical products industry. Lockheed Corporation's proposed $10bn merger with Martin Marietta also spurred expectations of increased stock market activity.

Further takeover speculation surfaced in the food retailing sector, where J. Sainsbury responded to suggestions that an acquisition in France was under consideration. A scattering of similar special features helped give the market a more mixed picture at the close than the fall in the Footsie suggested.

Building construction shares stood out against the general trend as two leading securities houses assessed prospects for recovery in the sector, which also brushed off fears that a rise in UK base rates might not be long delayed. But the profit-takers held sway in most of the consumer and financial areas which had performed so strongly in the previous week.

UK market strategists believe that the list of US economic data and comment will keep markets subdued this week unless Wall Street resumes its powerful upward trend. UK investment funds are not expected to turn sellers in what has become a positive stock market.





Key Indicators

Indices and ratios

FT-SE 100	3249.6	-15.5
FT-SE Mid 250	3813.8	+6.8
FT-SE-A 350	1639.7	-5.4
FT-SE-A All-Share	1625.57	-1.76
FT-SE-A All-Share yield	3.67	(3.66)
FT Ordinary Index	2539.9	-12.1
FT-SE-A Non Fins p/e	20.16	(20.22)
FT-SE 100 Fut Sep	3263.0	-23.0
10 yr Gilt yield	8.60	(8.55)
Long gilt/equity yld ratio:	2.36	(2.36)

Best performing sectors

1. Building & Constr ... +0.8
2. Electricity ... +0.8
3. Extractive Inds ... +0.7
4. Other Financial ... +0.6
5. Oil, Integrated ... +0.6

Worst performing sectors

1. Tobacco ... -2.3
2. Gas Distribution ... -1.7
3. Retailers, Food ... -1.0
4. Spirits, Wines & Cider ... -1.0
5. Diversified Inds ... -0.8

Market warms to SB move

The market was pleased by news that SmithKline Beecham (SB) was buying Eastman Kodak's Sterling Health division for $2.9bn and the shares performed strongly on high turnover.

In spite of the evident fit between the two groups, there was some surprise at the move as SmithKline had already made extensive use of its cheque book in May when it bought Diversified Pharmaceutical Services for $2.3bn.

The latest deal leaves the company with exceptionally high gearing, but analysts said that was unlikely to worry investors as the group had interest cover of well above 10 times.

Mr James Culverwell, pharmaceuticals specialist with Hoare Govett, commented enthusiastically: "This was a strategic acquisition in the classic SmithKline mould. It makes outstanding sense at a realistic price."

Mr Paul Woodhouse at Smith New Court added: "It fits both geographically and from a business perspective."

Dealers marked up SmithKline's shares before trading began and the stock held its price as the rest of the market slid back, the "A" shares closing a net 6¼ higher at 465½p with 6.1m changing hands. The Units, which often reflect US interest, rose 10 to 421p on 6.7m traded.

The news was a reminder to the market that Sterling's household products division was also up for sale, for between $1.7bn and $2bn.

Argyll active

Turnover in food retailer Argyll Group jumped to 9m in busy trading of the stock after the company announced the sale of 123 of its Lo-Cost outlets and 28 Presto stores for £39.4m.

The shares declined 9 to 307p on a combination of profit-taking after their strong performance last Friday and fears that the sale might dilute earnings per share. One analyst suggested that there could have been disappointment that Argyll had not off-loaded the whole Lo-Cost chain – around 140 stores remain unsold.

Mr James Edwardes Jones at Hoare Govett said the sale was bound to be "mildly dilutive". However, Mr Bill Myers at Yamaichi took the contrary view and said: "They have sold the least profitable chunk of the Lo-Cost chain for a fair price and dilution seems exceedingly unlikely."

Recs in demand

Regional electricity stocks (recs) staged another strong upward move, with many hitting all-time highs as the market continued to look for evidence of a big stake-building exercise, or possibly even a straight takeover move.

Dealers said they expected a wave of share buy-backs to impact on the market before the recs go into their closed seasons, starting in mid-September.

Sentiment was again boosted by news of share buy-backs in the sector, with Seeboard announcing that it had moved back into the market last Friday to purchase a further million of its own shares, this time at 439p. The company bought 2m at 425p a share last Wednesday.

Whispers in the market suggested that a predatory move could happen in the next fortnight. Southern, the sector's best performer yesterday, was seen as both a potential target and predator. There were rumours that the group could be lining up a pre-emptive strike against one of the smaller recs as a potential defence against a US predator or a UK group seeking strong cash generative assets.

Eastern Electricity was hit by profit-taking as dealers decided that it might adopt a predatory stance among its smaller UK brethren. The shares slid 9 to 854p.

The Scottish generators also attracted profit-taking ahead of next week's regulatory review of their businesses. Hydro-Electric softened 2 to 425p and Power 5 to 433p.

Oil shares were among the market's better performing areas. British Petroleum touched 418p but eased back to close only fractionally ahead at 414½p in spite of more encouraging news from its exploration effort in Colombia – its Colombian operations encountered what it described as a "major new gas and condensate field".

Energy specialists said the gas find was commercially viable and, more importantly, was in an area where BP held exploration rights over substantial areas.

Burmah Castrol rose 15 to 916p, albeit in limited turnover of 717,000 shares. The group is scheduled to report interims on Monday, but the rise in the shares was said to have reflected a move by one marketmaker to fill in a short position exposed by a programme trade executed last week.

Shares in high street retailer Kingfisher bucked the trend to close 7 ahead at 554p, on press reports suggesting that it might take over Madalan, a private UK discount retailing club. However, at least one market watcher thought the move unlikely.

Boots raced forward early in the day as some dealers came to the view that SmithKline Beecham's $2.9bn acquisition of Kodak's Sterling Health division could help the UK group obtain a favourable price for its pharmaceuticals business. Boots has indicated that it wishes to sell the division.

The shares, having jumped 14 on the talk, came off the top to finish a mere 3 ahead at 582p as brokers came to the view that there was little similarity between the two groups.

Retailer Body Shop fell to the year's low of 204p as company attempts to counter criticism of its environmental policies failed to calm an already nervous market. A small rally saw the shares end a net 13 down at 205p.

Irish paper and packaging group Jefferson Smurfit announced that it had bought an Austrian paper mill for I£20.5m. The deal will provide a way in to eastern European markets, but some analysts felt that it was too small to impact significantly on the shares and suspected additional technical position-taking. The stock rose 11 to 426p.

Paper group Bowater, which announced a £15.5m purchase in the Netherlands, saw its shares recede 6 to 478p.

Textile issues were treading water ahead of publication of a big review by one leading UK investment bank.

Conglomerates BTR and Hanson were actively traded, prompting some talk of a switch between the two heavyweights. Analysts pointed to a 400p chart resistance level for the former. BTR slipped 4 to 391½p on turnover of 5m, while Hanson, ex a 3.75p dividend, was steady at 259½p with 7.6m shares dealt.

MARKET REPORTERS:
Peter John,
Steve Thompson,
Joel Kibazo.

■ Other statistics, Page 18

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (118).
BREWERIES (1) Holt (J), BUILDING & CNSTRN (2) BLDG MATLS & MCHTS (1) Grafton, CHEMICALS (4) DISTRIBUTORS (3) Ellis & Everard, Finelist, Spandex, DIVERSIFIED INDLS (3) BH Prop., Sime Darby, Wassall, ELECTRICITY (13) ELECTRNC & ELECT EQUIP (1) Nokia Prf., ENGINEERING (8) BM, Booth Inds., Domnick Hunter, Manganese Bronze, Sterling Inds., Tinsley (E), ENG. VEHICLES (2) First Tech., UPF, EXTRACTIVE INDS (3) FOOD MANUF (1) Linton Park, HEALTH CARE (1) Baxter Int'l.Inc., HOUSEHOLD GOODS (2) Derby, Osborne & Little, INSURANCE (1) Lombard Insce., INVESTMENT TRUSTS (21) INVESTMENT COMPANIES (2) LEISURE & HOTELS (2) MEDIA (6) Anglia, HTV, Taylor Nelson, Yorkshire Tyne-Tees TV, Do Wts.MERCHANT BANKS (1) Schroders, OIL EXPLORATION & PROD (3) Scott Pickford, Sun Resources, OIL, INTEGRATED (2) Burmah Castrol, Woodside, OTHER FINANCIAL (4) OTHER SERVS & BUSNS (1) Waste Recycling, PHARMACEUTICALS (2) PRTNG, PAPER & PACKG (4) RETAILERS, FOOD (3) RETAILERS, GENERAL (1) Vendome Luxury Uts.SPIRITS, WINES & CIDERS (1) Macdonald Martin A, SUPPORT SERVS (8) Capitol, Manpower Inc., Page (M), Parity, Reed Executive, Reliance Security, TELECOMMUNICATIONS (1) Securicor, TEXTILES & APPAREL (3) Bridport-Gundry, Dewhirst, Wensum, TRANSPORT (2) AMERICANS (2).
NEW LOWS (38).
GILTS (1) BREWERIES (1) Ascot, BUILDING & CNSTRN (3) Gleeson (MJ), Tilbury Douglas, DISTRIBUTORS (1) Appleyard, ENGINEERING (1) Chemring, EXTRACTIVE INDS (1) World Fluids, FOOD MANUF (1) Bensons Crisps, HEALTH CARE (2) HOUSEHOLD GOODS (1) INSURANCE (3) Heath (CE), Syndicate Capital, Topdanmark, INVESTMENT TRUSTS (4) LEISURE & HOTELS (1) OTHER FINANCIAL (3) PHARMACEUTICALS (1) PRTNG, PAPER & PACKG (1) Hunterprint, PROPERTY (4) RETAILERS, GENERAL (1) Body Shop Intl., SUPPORT SERVS (4) ISS-Int Serv.Sys. B, JBA, MR Data Mngt., RCO, TEXTILES & APPAREL (1) Atkins, TRANSPORT (1).

EQUITY FUTURES AND OPTIONS TRADING

Profit-taking and "marking time" were how traders described a poor trading day in both stock index futures and the traded options, *writes Joel Kibazo.*

In futures, the September contract on the FT-SE 100 opened at 3,287. This turned out to be the day's high and the contract drifted lower for the next few hours. The easier bond prices only served to increase the drift in the first half and one trader said: "The contract just cannot seem to shake off the holiday mood."

September steadied over the lunchtime period before the dull opening on Wall Street triggered another retreat in the contract.

September finished at 3,263, down 24 from the previous close and at a strong premium of 14 points to the underlying cash market. Volume remained very poor, reaching only 8,333 lots by the close.

In spite of the modest volume, dealers remain positive about the underlying tone of the market and expect a return to more positive territory in the near future.

It was also a slow day in the traded options. Total turnover fell to 18,044 contracts, against Friday's figure of 34,796 lots. Among the index options, the FT-SE 100 saw business of 5,817 lots and the Euro FT-SE 1,591 contracts.

GEC was the busiest stock option, trading 1,304 lots. It was followed by Barclays with 1,112 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3287.0	3263.0	-23.0	3287.0	3253.0	8333	54155
Dec	3295.0	3277.0	-22.5	3298.5	3274.0	1044	7804
Mar	3298.0	3299.0	-23.0	3298.0	3299.0	1	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3815.0	-	-	-	0	4271
Dec	-	3836.0	-	-	-	0	120

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	3816.0	-	-	-	-	636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3251) £10 per full index point

	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P
Sep	167	3	120½	7½	80½	16	46½	32½	29½	59	8½	100	2	150	1	200
Oct	180½	21	142	32	106	46½	78	68	54	94½	35	126	21½	163½	13	205½
Nov	202	34½	166	48	132	64	103	85	77½	109½	56	139½	39	174	26	212½
Dec	222½	49	186½	62	154	80	124	100	97½	124	76	153	57	185	43	222
Jun†	307½	100½			248	139			192	182½			147½	238		

Calls 3,237 Puts 2,548

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P
Sep	188	2	142½	4½	99	11	59	21	31	43	12	74½	4½	115½	1	162½
Oct	283½	18½	162½	27½	125½	40	92½	57	65	79	44	107½	27½	140½	16½	179
Nov			182	39			114	69½			84	118½			1½	185
Dec			202	52½			137	85½			86	133½			49	195
Mar†			251	82			189½	118½			149	155½			99½	222

Calls 630 Puts 977 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500	3550	3600	3650	3700	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P
Sep						105	28	73½	46	49½	71

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Aug 30	Day's chge%	Aug 26	Aug 25	Aug 24	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3249.6	-0.5	3265.1	3234.2	3205.2	3100.0	3.87	6.72	17.56	88.65	1224.11
FT-SE Mid 250	3813.8	+0.2	3807.0	3789.4	3762.1	3511.9	3.24	5.45	22.08	86.15	1416.02
FT-SE Mid 250 ex Inv Trusts	3817.8	+0.2	3810.7	3791.7	3764.9	3525.3	3.38	5.90	20.51	88.79	1412.91
FT-SE-A 350	1639.7	-0.3	1645.1	1631.3	1617.4	1551.8	3.72	6.43	18.43	42.96	1263.46
FT-SE SmallCap	1905.81	+0.2	1902.88	1898.27	1891.83	1763.57	2.97	4.15	30.92	37.56	1473.50
FT-SE SmallCap ex Inv Trusts	1867.99	+0.1	1866.21	1862.57	1856.50	1778.05	3.16	4.60	28.39	38.56	1447.98
FT-SE-A ALL-SHARE	1625.57	-0.3	1630.33	1617.45	1604.14	1537.21	3.67	6.27	18.97	41.87	1274.07

■ FT-SE Actuaries All-Share

	Aug 30	Day's chge%	Aug 26	Aug 25	Aug 24	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2768.12	+0.5	2754.21	2735.14	2720.99	2387.80	3.28	5.11	24.56	54.71	1102.95
12 Extractive Industries(4)	4002.65	+0.7	3976.07	3938.01	3865.96	3454.50	3.16	5.03	24.90	54.24	1092.35
15 Oil, Integrated(3)	2720.28	+0.6	2705.21	2688.68	2680.41	2278.80	3.38	5.61	22.61	59.99	1107.80
16 Oil Exploration & Prod(11)	1963.07	-0.4	1970.91	1952.81	1935.85	1964.30	2.46	1.24	80.00†	20.34	1126.56
20 GEN MANUFACTURERS(264)	2059.58	-0.4	2068.84	2051.15	2033.13	1939.50	3.69	4.58	26.92	51.78	1044.73
21 Building & Construction(32)	1180.68	+0.8	1171.68	1163.05	1157.91	1155.80	3.27	4.49	26.72	21.47	917.79
22 Building Matls & Merchs(31)	2011.05	+0.2	2006.59	1987.47	1963.80	1814.60	3.68	4.01	31.25	45.76	941.63
23 Chemicals(22)	2525.39	-0.2	2530.49	2519.44	2506.26	2258.90	3.68	4.02	31.42	72.57	1117.39
24 Diversified Industrials(16)	2066.55	-0.8	2083.67	2057.14	2040.16	2039.30	4.39	4.53	27.12	64.66	1052.57
25 Electronic & Elect Equip(35)	2049.35	-0.5	2058.81	2041.55	2015.46	2197.40	3.65	6.14	19.43	55.09	1001.01
26 Engineering(70)	1917.17	-0.5	1927.47	1924.40	1909.07	1696.90	2.97	4.80	25.87	39.09	1091.89
27 Engineering, Vehicles(12)	2401.62	-0.3	2408.73	2398.67	2381.26	1984.20	4.37	2.42	88.90	54.23	1155.19
28 Printing, Paper & Pckg(26)	2930.72	-0.2	2936.05	2919.40	2889.56	2541.10	2.89	5.01	23.41	53.81	1148.62
29 Textiles & Apparel(20)	1750.48	-0.3	1755.16	1738.90	1725.89	1594.90	3.78	6.02	20.32	40.49	985.91
30 CONSUMER GOODS(97)	2903.70	-0.7	2923.12	2898.53	2875.63	2858.90	4.01	6.96	16.64	83.29	984.90
31 Breweries(17)	2362.14	+0.1	2360.22	2361.24	2342.78	2125.50	4.00	7.27	16.71	80.23	1057.78
32 Spirits, Wines & Ciders(10)	3020.60	-1.0	3048.91	3013.85	2985.64	3084.70	3.66	6.38	18.18	89.92	1012.98
33 Food Manufacturers(23)	2413.06	-0.8	2432.38	2396.65	2382.66	2416.70	3.97	7.33	15.85	71.03	1011.96
34 Household Goods(13)	2627.96	+0.2	2622.53	2607.84	2589.79	2485.30	3.35	7.01	17.00	52.80	937.02
36 Health Care(21)	1720.47	+0.1	1718.57	1716.38	1709.70	1800.10	2.90	3.13	44.97	33.90	993.46
37 Pharmaceuticals(12)	3245.85	-0.3	3255.91	3240.23	3214.95	3038.80	3.85	6.71	17.27	70.05	1019.45
38 Tobacco(1)	3661.84	-2.3	3749.92	3695.39	3624.09	4107.00	5.93	9.39	11.44	217.07	836.29
40 SERVICES(219)	2037.98	-0.5	2047.62	2038.31	2021.47	1953.30	3.03	5.91	20.40	41.00	997.10
41 Distributors(31)	2753.16	-0.1	2754.97	2751.60	2729.38	2859.90	3.29	6.43	18.96	62.40	950.22
42 Leisure & Hotels(24)	2139.07	-0.8	2155.45	2137.87	2124.04	1960.40	3.43	4.54	25.76	48.44	1052.80
43 Media(38)	3009.11	-0.5	3023.66	3002.02	2971.34	2665.10	2.28	5.02	23.16	59.06	1043.22
44 Retailers, Food(17)	1882.24	-1.0	1900.73	1885.44	1855.66	2013.70	3.40	8.53	14.49	45.10	1122.66
45 Retailers, General(45)	1755.00	-0.2	1758.90	1757.48	1740.11	1653.30	2.96	6.12	20.39	38.52	933.72
48 Support Services(40)	1561.10	-0.2	1563.58	1565.96	1562.95	1671.60	2.63	6.05	19.49	26.12	945.53
49 Transport(16)	2420.04	-0.4	2430.62	2418.53	2408.12	2303.00	3.47	5.00	23.27	42.36	943.31
51 Other Services & Business(8)	1321.66	-0.6	1329.09	1309.06	1310.03	1315.70	3.93	2.11	80.00†	21.48	1131.53
60 UTILITIES(36)	2568.12	-0.2	2573.40	2543.93	2517.35	2335.90	4.10	7.34	16.60	73.42	969.23
62 Electricity(17)	2754.74	+0.8	2734.04	2695.10	2662.03	1942.80	3.33	8.94	13.97	83.46	1145.59
64 Gas Distribution(2)	2018.98	-1.7	2052.28	2043.31	2007.88	2183.00	5.94	‡	‡	66.79	821.78
66 Telecommunications(4)	2106.60	-0.4	2117.90	2100.29	2079.94	2147.30	3.92	7.46	16.31	50.22	899.28
68 Water(13)	2032.35	-0.4	2040.83	1997.96	1995.64	1874.40	4.78	11.67	9.94	69.35	1015.98
69 NON-FINANCIALS(634)	1766.64	-0.3	1772.60	1759.09	1744.39	1661.43	3.63	5.97	20.16	43.69	1243.50
70 FINANCIALS(104)	2225.73	-0.2	2229.55	2205.42	2188.63	2197.70	4.27	8.81	12.89	74.38	879.64
71 Banks(10)	2834.00	......	2833.81	2800.78	2778.75	2858.90	4.25	9.46	12.04	102.87	848.07
73 Insurance(17)	1282.77	-0.7	1292.28	1267.37	1263.79	1479.90	4.97	12.56	8.62	47.80	875.97
74 Life Assurance(6)	2521.65	-0.2	2527.17	2479.62	2453.79	2624.90	4.94	7.21	17.03	85.34	958.18
75 Merchant Banks(6)	3144.46	+0.3	3136.33	3123.70	3066.61	3061.90	3.21	10.52	11.07	78.42	945.98
77 Other Financial(24)	1989.56	+0.6	1977.78	1966.05	1944.66	1833.10	3.51	7.92	15.03	45.38	1057.14
79 Property(41)	1550.63	-0.8	1562.70	1568.80	1557.32	1587.90	3.69	3.98	31.36	37.48	884.59
80 INVESTMENT TRUSTS(123)	2939.67	+0.2	2933.25	2928.31	2903.67	2607.50	2.06	1.77	57.12	48.12	986.78
89 FT-SE-A ALL-SHARE(861)	1625.57	-0.3	1630.33	1617.45	1604.14	1537.21	3.67	6.27	18.97	41.87	1274.07

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3279.9	3275.4	3257.8	3255.4	3254.7	3258.6	3257.1	3254.8	3251.4	3280.0	3249.6
FT-SE Mid 250	3818.7	3820.9	3812.9	3812.8	3811.4	3812.2	3812.9	3814.5	3813.8	3821.1	3809.2
FT-SE-A 350	1652.0	1650.5	1642.8	1641.9	1641.5	1641.9	1642.6	1641.8	1640.4	1652.0	1639.7

Time of FT-SE 100 Day's high: 8.33am Day's low: 4.20pm . FT-SE 100 1994 High: 3520.3 (2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1131.4	1132.5	1132.0	1132.4	1134.9	1135.6	1138.4	1138.3	1138.2	1138.4	1126.0	+12.4
Pharmaceuticls	3250.7	3237.6	3217.2	3217.5	3218.7	3218.7	3221.1	3219.0	3221.5	3221.8	3232.3	-10.5
Water	2060.4	2070.3	2058.7	2050.7	2041.5	2044.7	2045.0	2045.2	2036.2	2033.0	2041.6	-8.8
Banks	2885.7	2883.1	2882.9	2882.2	2883.7	2882.8	2882.0	2876.8	2870.4	2869.4	2889.2	+0.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. CONSTITUENT CHANGE: DELETION: Great Southern Group (31).

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	4,700	67½	-¼
Abbey National†	1,800	397	-1
Albert Fisher	2,900	60	+1
Allied-Lyons†	1,800	626	-6
Anglian Water	555	590	-3
Argos	104	364	
Argyll Group†	9,000	306½	-8½
Arjo Wiggins†	603	279	-2
Assoc. Brit. Foods†	146	567	-5
Assoc. Brit. Ports	167	292	+6
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	600	52	-	-	6	-	-
(*627)	650	20½	-	-	24½	-	-
Argyll	300	19	25½	35½	11½	19	24
(*306)	330	6½	13	22½	29	35½	41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	240	25	29	31½	4	8	11
(*258)	260	12	17	20½	12	17	20
Lasmo	154	12½	-	-	10	-	-
(*155)	160	4½	7½	11	29½	31	32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	18	37	15
Other Fixed Interest	0	6	9
Mineral Extraction	94	22	63
General Manufacturers	153	104	387
Consumer Goods	43	40	104
Services	108	62	334
Utilities	22	14	9
Financials	121	69	178
Investment Trusts	169	21	277
Others	80	2	32
Totals	808	377	1428

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 22	Expiry	November 24
Last Dealings	September 5	Settlement	December 8

Calls: Bibby (J), Boustead, NHL, NHL Prf, Tullow. Puts: Body Shop Intl. Puts & Calls: [illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1994 High	1994 Low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.0	♦
ANZ A$		[illegible]	+5	[illegible]	[illegible]	[illegible]	6.0	29.4
Abbey National	†N□	[illegible]	–1	522	361	5,208	4.9	13.3
Allied Irish I£	†N□	[illegible]	+6	314	234	1,895	4.9	9.8
Anglo Irish I£	N□	60	+1	[illegible]	50	[illegible]	7.2	11.0
Asahi Y		[illegible]	[illegible]	[illegible]	[illegible]	17,502	0.6	♦
Banco Bil Viz Pta		[illegible]	[illegible]	[illegible]	[illegible]	3,541	5.5	6.7
Banco Sant Pta		[illegible]	[illegible]	[illegible]	[illegible]	3,948	5.5	8.1
Bk Ireland I£	□	275	+4	[illegible]	245	1,299	4.7	8.0
Bank Scotland	†N□	200	–1	247	[illegible]	2,334	3.2	16.4
9¼pc Pf		114	[illegible]	[illegible]	113	114.0	10.1	–
9¾pc Pf		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.2	–
Barclays	†N□	[illegible]	–1	649	487	9,534	3.6	18.1
Dai Ichi Kan Y		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.5	–
Deutsche DM		[illegible]	[illegible]	[illegible]	[illegible]	14,495	2.2	–
Espirito Santo		[illegible]	[illegible]	[illegible]	[illegible]	218.0	9.8	5.0
First Nat Fin	N□	68	—	[illegible]	60	[illegible]	2.7	–
6.3pc Cv Pf		77	—	[illegible]	77	[illegible]	10.2	–
7pc Cv Pf		128	[illegible]	171	123	[illegible]	8.9	–
Fuji Bank Y		[illegible]	–12	[illegible]	[illegible]	42,273	0.4	♦
HSBC HK	†N□	748	+4	1133	690	13,080	4.1	10.7
HSBC (75p Shs)	†N□	730	+5	1113	650	6,205	4.2	10.5
Lloyds	†N□	[illegible]	–2	[illegible]	519	7,213	5.2	11.0
Mitsubishi Y		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.3	♦
Mits Tst & Bk Y		[illegible]	+18	[illegible]	[illegible]	11,762	0.5	15.1
Mitsui Tst & Bk Y		[illegible]	[illegible]	879	514	9,017	0.7	24.6
Nat Aust A$	†	591	+21	[illegible]	[illegible]	7,106	5.4	10.9
NatWest	†N□	[illegible]	–4	622	421	8,275	4.9	9.2
Ottomane FFr		[illegible]	—	[illegible]	[illegible]	[illegible]	8.7	♦
Ryl Bk Scotland	†N□	416	+10	528	[illegible]	3,228	3.5	18.8
Sakura Y		[illegible]	[illegible]	[illegible]	[illegible]	30,152	0.6	54.5

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

مكتبة الأمل

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT1795. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Waverley Unit Tst Mngmt Ltd (1000)F

[illegible]

Whittingdale Unit Tst Mgmt Ltd (0830)F

[illegible]

Woolwich Unit Trust Managers Ltd (1700)H

[illegible]

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

[illegible]

Baring Investment Mngmt Ltd

[illegible]

CAF – Charity Money Management

[illegible]

CIM Unit Trust Managers Ltd

[illegible]

Cent. Bd. of Fin. of Church of England

[illegible]

INSURANCES

[illegible]

Acuma Life Assurance Ltd

[illegible]

AEGON Life Assurance Co (UK) Ltd

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Mutual Assurance plc

Sun Alliance Group - Contd.

Century Life International Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

DBS Financial Management Ltd

Fairmount Financial Services Ltd

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

هكذا من الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Currencies in tight range

Currencies yesterday moved in fairly narrow ranges ahead of tomorrow's Bundesbank council meeting and the release of key US labour data on Friday, *writes Philip Gawith.*

There was little fresh for the market to chew on, aside from some US data which had little impact on the dollar. The US currency closed in London at DM1.5805, slightly down from Monday's close of DM1.5831. Against the yen it finished at Y99.665 from Y100.225.

In Europe, the D-Mark was generally weaker as it suffered at the hands of the firmer dollar. Markets were surprised by the decision of four French commercial banks to raise interest rates and this saw the franc weaken to FFr3.4275 yesterday evening from a London close of FFr3.4223.

Sterling had an uneventful day, holding on to most of the gains it made on Monday as it rose in tandem with the dollar. The trade weighted sterling index finished at 79 from 78.9 on Monday.

■ The dollar showed little reaction to news of US July home sales and consumer confidence figures for August.

Although the dollar is firmer after the recent rally, few analysts are confident that the US currency has turned the corner.

Mr Tony Norfield, UK treasury economist at ABN-AMRO bank in London, said the reasoning cited for the dollar's recent rally – that it was following the bond market, which improved on weaker than expected second quarter GDP figures – was flimsy.

Mr Neil MacKinnon, chief economist at Citibank in London, said the dollar's recovery on Friday had been mostly interbank driven, and had also been related to the exercise of various options contracts. He added: "The upside movement we've seen in the US dollar does not look sustainable. Fund managers are still broadly neutrally positioned and there is no great incentive to go long dollars at the moment."

"Although the worst for the dollar is certainly over, those who are calling for a big move up will not get much of a hearing from financial institutions," said Mr MacKinnon.

Hopes of a breakthrough in US-Japan trade framework talks have supported the dollar in recent days. But Mr Carl Weinberg, chief economist at High Frequency Economics in New York, commented: "It seems to us that Japan is turning more pugnacious than compliant with US trade demands."

Over the weekend, Japanese officials leaked a report that challenges the US's strong moral line on government procurement. The report claims that although Japan's sourcing of offshore contractors only amounts to 0.6 per cent of public sector spending allocated, this is ten times the percentage the US spends.

Other observers, however, attach more significance to the dollar rally. Mr Mike Norman, publisher of the Geneva based Economic Contrarian Update, argues that "Friday's dollar move was the start of a major turnaround in the currency."

He argues that the market is short of dollars to the extent that there is "absolutely no more firepower left on the downside." The flipside of the argument is that the short positions in the market "will be providing the buying power to move the dollar up."

■ Analysts said the decision by four French banks to raise their base rates to 7.95 per cent from 7.70 per cent was a cry of despair at their increased funding costs. Mr Avinash Persaud, currency strategist at JP Morgan in Europe, said that while the move had market significance, it did not have policy significance. The Bank of France is not expected to respond.

He predicted, however, that interest rates across the yield curve were likely to rise. This could have a dampening effect on French bond and equity markets, and hence on the franc. Mr Persaud predicted the franc would weaken back to the FFr3.43 level against the D-Mark.

Analysts noted that if the decision by the French translates into generalised money market volatility in Europe, this could have the effect of supporting the D-Mark.

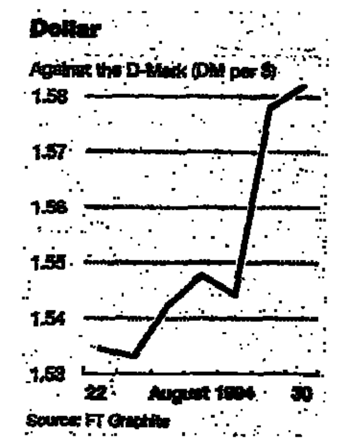
PIBOR futures lost about 15 basis points after the banks made their announcement.

■ Traders said the French rate move had a negative effect on the short sterling market which had otherwise traded quite firmly in recent days. Investors, however, remain focused on the September 7 monthly monetary meeting which could herald a tightening of UK monetary policy.

Mr Richard Phillips, analyst at brokers GNI, said two factors had supported short sterling in recent days: the "convergence" factor, and improved psychology in the market.

The former is the fact that the price of the September short sterling contract must converge on the cash price of three month money as the expiry date – September 21 – approaches. Currently three month money at 5⅞ compares with the September contract discounting an interest rate of about 5.75 per cent.

The Bank of England supplied UK money markets with £474m liquidity, at established rates, after forecasting a £450m shortage.



Source: FT Graphite

■ Pound in New York

Aug 30	—Latest—	– Prev. close –
£ spot	1.5351	1.5370
1 mth	1.5349	1.5367
3 mth	1.5333	1.5349
1 yr	1.5211	1.5222

■ OTHER CURRENCIES

Aug 30	£	$
Hungary	165.809 - 166.027	108.180 - 108.280
Iran	2682.00 - 2695.00	1748.00 - 1750.00
Kuwait	0.4570 - 0.4579	0.2981 - 0.2986
Poland	35339.3 - 35410.8	23040.0 - 23080.0
Russia	3321.13 - 3326.79	2166.00 - 2171.00
U.A.E.	5.6224 - 5.6336	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 30		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0266	-0.0303	194 - 337	17.1128	17.0121	17.0222	0.3	17.0104	0.4	-	-	115.2
Belgium	(BFr)	49.7855	-0.1336	535 - 175	50.0010	49.7450	49.7555	0.7	49.7705	0.1	49.5905	0.4	116.7
Denmark	(DKr)	9.5603	-0.0418	569 - 637	9.6156	9.5569	9.5685	-1.0	9.5995	-1.2	9.6301	-0.7	116.2
Finland	(FM)	7.8173	-0.0171	089 - 257	7.8700	7.8070	-	-	-	-	-	-	84.4
France	(FFr)	8.2937	-0.0023	905 - 968	8.3090	8.2782	8.297	-0.5	8.2971	-0.2	8.2696	0.4	109.9
Germany	(DM)	2.4233	-0.0004	224 - 242	2.4307	2.4181	2.4234	-0.1	2.4205	0.5	2.3922	1.3	125.7
Greece	(Dr)	366.766	-0.828	387 - 144	368.174	366.367	-	-	-	-	-	-	-
Ireland	(I£)	1.0155	+0.0034	145 - 164	1.0164	1.0101	1.0159	-0.5	1.0174	-0.7	1.0231	-0.7	104.0
Italy	(L)	2440.63	-6.21	939 - 187	2457.08	2439.39	2447.43	-3.3	2459.73	-3.1	2522.08	-3.3	75.3
Luxembourg	(LFr)	49.7855	-0.1336	535 - 175	50.0010	49.7450	49.7555	0.7	49.7705	0.1	49.6905	0.4	116.7
Netherlands	(Fl)	2.7163	-0.0036	154 - 172	2.7251	2.7117	2.7184	-0.1	2.7133	0.4	2.6824	1.2	120.4
Norway	(NKr)	10.6063	-0.0251	027 - 099	10.6894	10.5981	10.6033	0.3	10.6136	-0.3	10.5996	0.1	96.0
Portugal	(Es)	246.095	-0.387	893 - 296	247.495	245.805	247.825	-8.4	251.005	-8.0	-	-	-
Spain	(Pta)	200.901	-0.227	823 - 978	201.434	200.540	201.406	-3.0	202.136	-2.5	204.956	-2.0	85.5
Sweden	(SKr)	11.8805	+0.0056	516 - 893	11.9122	11.8373	11.882	-2.2	11.9325	-2.4	12.153	-2.5	74.1
Switzerland	(SFr)	2.0447	-0.0046	436 - 458	2.0505	2.0420	2.0432	0.9	2.0369	1.1	2.0064	1.9	120.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.0
Ecu	-	1.2877	-0.003	672 - 682	1.2731	1.2865	1.2684	-0.7	1.2699	-0.4	1.2684	-0.1	-
SDR†	-	0.941336	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5334	+0.0025	330 - 338	1.5364	1.5315	-	-	-	-	-	-	-
Brazil	(R)	1.3585	-0.0141	567 - 603	1.3645	1.3586	-	-	-	-	-	-	-
Canada	(C$)	2.0972	+0.0016	964 - 980	2.0996	2.0905	2.0965	0.4	2.097	0.0	2.0977	0.0	86.9
Mexico (New Peso)		5.1818	+0.0078	769 - 868	5.1993	5.1756	-	-	-	-	-	-	-
USA	($)	1.5333	+0.0023	330 - 336	1.5366	1.5315	1.533	0.2	1.5314	0.5	1.5191	0.9	63.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0630	+0.0017	619 - 641	2.0706	2.0585	2.063	0.0	2.0643	-0.3	2.0824	-0.9	-
Hong Kong	(HK$)	11.8484	+0.0173	467 - 521	11.8750	11.8367	11.8455	0.4	11.8444	0.2	11.8514	0.0	-
India	(Rs)	48.0997	+0.0684	864 - 129	48.2110	48.0550	-	-	-	-	-	-	-
Japan	(Y)	152.817	-0.828	738 - 900	153.570	152.733	152.467	2.7	151.622	3.1	146.967	3.8	189.9
Malaysia	(M$)	3.9126	+0.0039	110 - 141	3.9219	3.9093	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5481	+0.0064	465 - 496	2.5512	2.5442	2.552	-1.8	2.5598	-1.5	2.5821	-1.3	-
Philippines	(Peso)	40.5550	+0.0225	179 - 936	40.8145	40.2522	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7505	+0.0087	491 - 518	5.7625	5.7439	-	-	-	-	-	-	-
Singapore	(S$)	2.2995	+0.0007	983 - 007	2.3041	2.2983	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5004	+0.0014	981 - 026	5.5107	5.4914	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9689	-0.0201	522 - 855	7.0001	6.9522	-	-	-	-	-	-	-
South Korea	(Won)	1227.79	+0.77	747 - 811	1230.89	1226.99	-	-	-	-	-	-	-
Taiwan	(T$)	40.1367	-0.0262	278 - 496	40.2548	40.1130	-	-	-	-	-	-	-
Thailand	(Bt)	38.3693	+0.0683	741 - 044	38.4510	38.3490	-	-	-	-	-	-	-

†SDR rates for Aug 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	11.1045	-0.0365	020 - 070	11.1505	11.0605	11.1045	0.0	11.1043	0.0	11.0295	0.7	104.2
Belgium	(BFr)	32.4695	-0.136	550 - 840	32.6350	32.4290	32.4945	-0.9	32.5195	-0.6	32.6445	-0.5	105.7
Denmark	(DKr)	6.2351	-0.0367	341 - 361	6.2767	6.2337	6.2418	-1.3	6.2625	-1.8	6.3401	-1.7	104.3
Finland	(FM)	5.0984	-0.0168	936 - 028	5.1337	5.0882	5.1009	-0.6	5.1124	-1.1	5.1834	-1.7	78.7
France	(FFr)	5.4090	-0.0087	080 - 100	5.4235	5.3930	5.4122	-0.7	5.4181	-0.7	5.3815	0.5	108.2
Germany	(D)	1.5805	-0.0026	802 - 807	1.5850	1.5744	1.5807	-0.2	1.5807	0.0	1.5746	0.4	106.9
Greece	(Dr)	239.200	-0.9	000 - 400	240.100	238.000	239.5	-1.5	240.175	-1.6	242.975	-1.6	66.2
Ireland	(I£)	1.5100	-0.0028	089 - 111	1.5196	1.5089	1.509	0.8	1.505	1.3	1.4836	1.8	-
Italy	(L)	1591.75	-7.75	125 - 225	1603.00	1591.25	1596.5	-3.6	1606.25	-3.6	1660.25	-4.3	75.6
Luxembourg	(LFr)	32.4695	-0.136	550 - 840	32.6350	32.4290	32.4945	-0.9	32.5195	-0.6	32.6445	-0.5	105.7
Netherlands	(Fl)	1.7716	-0.005	713 - 718	1.7785	1.7678	1.7719	-0.2	1.7719	-0.1	1.7656	0.3	105.3
Norway	(NKr)	6.9173	-0.0288	163 - 183	6.9785	6.9100	6.9196	-0.4	6.9323	-0.9	6.9493	1.0	96.0
Portugal	(Es)	160.500	-0.5	400 - 600	161.130	160.400	161.45	-7.1	163.125	-6.5	170.5	-6.2	95.4
Spain	(Pta)	131.025	-0.345	000 - 050	131.450	130.900	131.38	-3.3	132	-3.0	134.905	-3.0	80.7
Sweden	(SKr)	7.7353	-0.0073	310 - 395	7.7715	7.7162	7.7528	-2.7	7.7935	-3.0	7.9953	-3.4	78.3
Switzerland	(SFr)	1.3336	-0.0049	331 - 340	1.3395	1.3307	1.3326	0.7	1.3315	0.6	1.3208	1.0	108.2
UK	(£)	1.5333	+0.0023	330 - 336	1.5366	1.5315	1.533	0.2	1.5314	0.5	1.5191	0.9	87.5
Ecu	-	1.2096	+0.0047	093 - 098	1.2106	1.2037	1.2087	0.9	1.2066	0.9	1.1991	0.9	-
SDR†	-	1.44915	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0001	000 - 001	1.0001	0.9999	-	-	-	-	-	-	-
Brazil	(R)	0.8860	-0.0105	850 - 870	0.8880	0.8850	-	-	-	-	-	-	-
Canada	(C$)	1.3678	-0.001	675 - 680	1.3680	1.3660	1.3686	-0.7	1.3699	-0.6	1.3806	-1.0	83.4
Mexico (New Peso)		3.3795	-	770 - 820	3.3830	3.3750	3.3805	-0.4	3.3823	-0.3	3.3897	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3455	-0.0009	450 - 459	1.3492	1.3432	1.3468	-0.2	1.3466	-0.3	1.3536	-0.6	88.1
Hong Kong	(HK$)	7.7261	-0.0002	276 - 283	7.7288	7.7278	7.7278	0.0	7.7287	0.0	7.7436	-0.2	-
India	(Rs)	31.3700	-0.0025	675 - 725	31.3725	31.3675	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	99.6650	-0.56	300 - 000	100.080	99.5400	99.455	2.6	99.016	2.6	96.75	2.9	149.7
Malaysia	(M$)	2.5517	-0.0013	512 - 522	2.5535	2.5510	2.5425	4.3	2.5312	3.2	2.6047	-2.1	-
New Zealand	(NZ$)	1.6618	+0.0016	611 - 625	1.6635	1.6595	1.6627	-0.7	1.6646	-0.7	1.6699	-0.5	-
Philippines	(Peso)	26.4500	-0.025	000 - 000	26.6500	26.3300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.4997	-0.0018	992 - 002	1.5002	1.4992	1.4954	1.1	1.4966	0.9	1.4897	0.7	-
S Africa (Com.)	(R)	3.5873	-0.0045	865 - 880	3.5880	3.5820	3.6028	-5.2	3.6311	-4.9	3.7078	-3.4	-
S Africa (Fin.)	(R)	4.5450	-0.02	350 - 550	4.5600	4.5350	4.5787	-8.9	4.6375	-8.1	-	-	-
South Korea	(Won)	800.750	-0.7	700 - 800	801.200	800.700	803.75	-4.5	807.25	-3.2	825.75	-3.1	-
Taiwan	(T$)	26.1750	-0.0578	750 - 800	26.2326	26.1750	26.195	-0.9	26.236	-0.9	-	-	-
Thailand	(Bt)	25.0370	+0.007	320 - 420	25.0420	25.0300	25.1095	-3.5	25.237	-3.2	25.717	-2.7	-

†SDR rate for Aug 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 29. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.20	16.66	4.867	2.039	4902	5.456	21.29	494.2	403.6	23.82	4.106	2.009	4.213	3.080	307.0	2.545
Denmark	(DKr)	52.07	10	8.675	2.535	1.062	2552	2.841	11.09	257.3	210.1	12.41	2.138	1.046	2.194	1.604	159.8	1.325
France	(FFr)	60.03	11.53	10	2.922	1.224	2942	3.275	12.78	296.6	242.3	14.30	2.465	1.206	2.529	1.849	184.3	1.528
Germany	(DM)	20.54	3.946	3.423	1	0.419	1007	1.121	4.375	101.5	82.91	4.896	0.844	0.413	0.865	0.633	63.06	0.523
Ireland	(I£)	49.04	9.419	8.170	2.387	1	2404	2.676	10.44	242.4	197.9	11.68	2.014	0.985	2.065	1.510	150.5	1.248
Italy	(L)	2.040	0.392	0.340	0.099	0.042	100.	0.111	0.434	10.08	8.234	0.486	0.084	0.041	0.086	0.063	6.262	0.052
Netherlands	(Fl)	18.33	3.520	3.053	0.892	0.374	898.4	1	3.903	90.57	73.97	4.367	0.753	0.368	0.772	0.564	56.26	0.466
Norway	(NKr)	46.96	9.019	7.824	2.286	0.958	2302	2.562	10	232.1	189.5	11.19	1.928	0.943	1.978	1.446	144.2	1.195
Portugal	(Es)	20.24	3.886	3.371	0.985	0.413	991.9	1.104	4.309	100.	81.67	4.821	0.831	0.407	0.852	0.623	62.11	0.515
Spain	(Pta)	24.78	4.759	4.128	1.206	0.505	1215	1.352	5.276	122.4	100.	5.903	1.017	0.498	1.044	0.763	76.06	0.631
Sweden	(SKr)	41.97	8.061	6.992	2.043	0.856	2057	2.290	8.938	207.4	169.4	10	1.723	0.843	1.768	1.293	128.8	1.068
Switzerland	(SFr)	24.35	4.677	4.057	1.185	0.497	1194	1.329	5.186	120.4	98.29	5.802	1	0.489	1.026	0.750	74.76	0.620
UK	(£)	49.78	9.560	8.293	2.423	1.015	2440	2.716	10.60	246.0	200.9	11.86	2.044	1	2.097	1.533	152.8	1.267
Canada	(C$)	23.74	4.559	3.955	1.155	0.484	1164	1.295	5.056	117.3	95.80	5.656	0.975	0.477	1	0.731	72.87	0.604
US	($)	32.47	6.236	5.410	1.581	0.662	1592	1.772	6.915	160.5	131.1	7.736	1.333	0.652	1.368	1	99.67	0.826
Japan	(Y)	325.8	62.57	54.27	15.86	6.643	15969	17.77	69.37	1610	1315	77.62	13.38	6.546	13.72	10.03	1000.	8.292
Ecu		39.29	7.545	6.545	1.912	0.801	1926	2.144	8.366	194.2	158.6	9.361	1.613	0.789	1.655	1.210	120.6	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kroner per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6339	0.6328	-0.0013	0.6349	0.6311	59,580	103,965
Dec	0.6326	0.6330	-0.0012	0.6366	0.6318	7,495	12,783
Mar	-	0.6333	-	-	0.6333	32	2,886

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0010	1.0027	+0.0016	1.0061	1.0008	18,846	59,043
Dec	1.0080	1.0096	+0.0019	1.0117	1.0080	1,725	9,464
Mar	-	1.0182	-	1.0182	-	12	1,716

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7512	0.7494	-0.0015	0.7512	0.7496	28,507	38,521
Dec	0.7498	0.7510	-0.0013	0.7517	0.7490	1,114	4,769
Mar	-	0.7527	-	-	0.7527	1	60

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5380	1.5336	-0.0030	1.5360	1.5320	12,687	38,123
Dec	1.5310	1.5316	-0.0022	1.5320	1.5300	1,056	1,583
Mar	-	1.5300	-	-	1.5300	15	199

EMS EUROPEAN CURRENCY UNIT RATES

Aug 30	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15067	+0.0015	-2.10	5.19	-
Belgium	40.2123	39.4565	+0.0237	-1.88	4.96	14
Germany	1.94964	1.91609	+0.00194	-1.72	4.79	-
Ireland	0.808628	0.801229	-0.001769	-0.92	3.94	6
France	6.53883	6.55863	-0.00199	0.28	2.70	-2
Portugal	192.854	194.817	-0.142	1.02	1.96	-7
Denmark	7.43679	7.58023	-0.00257	1.93	1.04	-13
Spain	154.250	158.855	-0.223	2.99	0.00	-21
NON ERM MEMBERS						
Greece	264.513	290.669	+0.324	9.89	-6.28	-
Italy	1793.19	1934.34	-1.22	7.87	-4.53	-
UK	0.786749	0.789471	-0.002675	0.35	2.63	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.450	8.27	8.15	8.24	-	0.01	0.14
1.475	5.79	5.90	6.06	-	0.16	0.44
1.500	3.39	3.81	4.16	0.09	0.56	1.00
1.525	1.48	2.18	2.60	0.60	1.34	1.91
1.550	0.38	1.04	1.52	2.00	2.65	3.21
1.575	0.04	0.41	0.79	4.06	4.51	4.95

Previous day's vol., Calls 9,190 Puts 18,480 . Prev. day's open int., Calls 590,256 Puts 419,448

WORLD INTEREST RATES

MONEY RATES

August 30	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4¾	5⅛	5½	5⅞	6¾	7.40	4.50	-
week ago	4⅞	5⅛	5⅞	6¼	6½	7.40	4.50	-
France	5⅛	5½	5¾	5⅞	6¾	5.00	-	6.75
week ago	5⅛	5½	5¾	5⅞	6¾	5.00	-	6.75
Germany	5.50	4.95	4.95	5.02	5.33	6.00	4.50	4.85
week ago	4.90	4.95	4.95	5.00	5.28	6.00	4.50	4.85
Ireland	4⅞	5½	6¼	6¼	7¾	-	-	6.25
week ago	4⅞	5½	6¼	6¼	7¾	-	-	6.25
Italy	8½	8⅛	8⅞	9¼	10¾	-	7.50	8.45
week ago	8¾	8⅛	8¾	9⅞	10⅛	-	7.50	8.45
Netherlands	4.84	4.93	4.99	5.11	5.41	-	5.25	-
week ago	4.85	4.93	4.97	5.10	5.41	-	5.25	-
Switzerland	3¾	4⅛	4⅛	4½	4⅞	6.625	3.50	-
week ago	3¾	4⅛	4¾	4½	4⅞	6.625	3.50	-
US	4⅞	4¾	4⅞	5¼	5¾	-	4.00	-
week ago	4⅞	4¾	4⅞	5¼	5¾	-	4.00	-
Japan	2⅛	2⅛	2¼	2¼	2⅜	-	1.75	-
week ago	2⅛	2⅛	2¼	2⅜	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4¾	5	5⅛	5⅞	-	-	-
week ago	-	4¾	5	5⅛	5⅞	-	-	-
US Dollar CDs	-	4.65	4.80	5.08	5.61	-	-	-
week ago	-	4.65	4.84	5.12	5.63	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	4	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

ECU Linked De mid rates: 1 mth [illegible]; 3 mths [illegible]; 6 mths [illegible]; 1 year [illegible]. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

Est. vol. total, Calls 3250 Puts 4257. Previous day's open int., Calls 346270 Puts 276387

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

You can obtain the current annual reports of companies annotated with ♣. Ring 081 770 0770 or fax 081 770 3822, quoting FT Japan. If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822, quoting FT Japan. The Reports will be sent on the next working day. If faxing please remember to state FT Japan and also your post code.

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, August 30, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Mtl Ind	5.4m	348	+3	Nippon Steel	3.0m	372	
Nitsuko	4.7m	1,580	+20	Matsushita El Ind	2.6m	1,750	+20
Sumitomo Coal	3.4m	769	-46	Sumitomo Chem	2.4m	574	+8
NKK	3.2m	283	-2	Mitsubishi Hvy	2.2m	779	-4
Oki Elect	3.1m	789	+19	Matsushita Comm	2.1m	2,900	+40

INDICES

US INDICES

** Sat Aug 27: Taiwan Weighted Price 6853.04; Korea Comp Ex 941.23. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 30 - 2205.82 -9.90

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

4 pm close August 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17⅜	13⅜	AAR	0.48	3.6	445	125	13¾	d13⅜	13½	-¼
16⅞	12⅝	A L Labs A	0.18	1.2	38	131	15⅝	15⅛	15½	
75¼	57⅜	AMP	1.68	2.3	25	1803	73⅜	72⅝	73⅛	+⅛
72¾	52⅛	AMR			104	6208	59¾	58⅞	59½	+1¼
5	3⅝	ARX			13	375	4	3¾	4	+⅛
59⅛	39⅝	ASA	2.00	4.0	32	1003	49½	48½	49½	+⅝
31⅞	25⅜	AbbotL	0.76	2.5	17	5429	30½	29⅞	30¼	-⅛
14⅞	11⅜	Abitibi Pr	0.50	3.5	10	1004	u14⅞	14⅛	14¼	
23⅝	17¾	ABM Ind	0.52	2.3		58	23	22¾	23	+¼
14⅝	11⅛	Acptncein			27	313	u14⅞	14⅝	14⅞	+¼
31	22⅞	ACE Ltd	0.44	1.9	3	1301	23⅜	23	23¼	+¼
12½	9⅝	ACM Gvt In x	1.09	11.2		331	9⅞	9¾	9¾	-⅛
10⅛	7⅜	ACM GvOpp x	0.80	10.8		18	7⅜	d7⅜	7⅜	
10⅝	7½	ACM Gvt Sp x	0.96	12.4		245	7¾	7⅝	7¾	-⅛
12	8¾	ACM Gvt Se x	1.09	12.2		240	9	8⅞	9	+⅛
11¾	8⅜	ACM Mun x	1.08	12.3		161	8⅞	8¾	8¾	
9¼	8	ACM Mangd x	0.72	8.9		11	8⅛	d8	8⅛	+⅛
16½	8¾	AcmeClv	0.44	3.6	14	28	12¼	12⅛	12⅛	-⅛
9⅞	6½	Acme Elect			7	26	8⅞	8⅝	8⅝	-¼
28¾	23	Acordia x	0.60	2.3	13	577	26⅛	26	26	-¼
13¾	5¾	Actava	0.36	2.7	3	1029	13⅛	12⅞	13⅛	+⅛
15⅝	11¼	Acuson			110	376	14⅞	14⅝	14⅝	-⅛
18⅝	16½	Adams Expr x	0.48	2.7	0	61	17¾	17½	17⅝	
64	48½	Ad Micro x	3.00	5.0		116	59½	58⅞	59½	+½
31¾	16¾	AdvMic	3.00	10.2	12	4161	29½	28¾	29⅜	+⅜
6⅞	5	Advest Grp	0.16	2.9	8	94	5½	5¼	5½	+¼
20	15	Advo Inc	0.10	0.6	120	58	18¾	18⅛	18⅛	-¼
59½	46⅜	Aegon ADR	1.47	2.5	12	21	59⅜	57¾	58¼	-½

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close August 30

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
30¼	25	StJosLAP	1.80	6.3	14	3	28½	28½	28½	
45	37¾	StPaul	1.50	3.5	4	2086	43	42⅞	42⅞	-½
9⅜	5	Salant Crp			6	306	5⅜	5	5¼	-¼
49⅞	32⅝	Sallie Mae x	1.40	3.6	8	7799	39⅛	37⅞	38¾	+1⅜
13⅞	11⅞	Salomon Br	0.32	2.5		330	12⅞	12⅝	12¾	
52¾	41½	Salomn	0.64	1.5	5	1771	43⅞	43¼	43⅜	-⅜
25	17½	SnDgGE	1.52	7.7	10	315	19⅞	18⅝	19¾	
10	7½	SantaFeERs	0.16	1.7	9	981	9½	9⅜	9½	+⅛
15⅞	13½	SFeGd				7697	u16⅛	15⅜	15⅞	
40	31½	SantaFePac	2.80	8.1	16	42	34¾	34¼	34⅝	+¼
28¼	18½	SanFeP	0.10	0.5	11	15403	21⅛	20⅜	21	+⅜
26	19⅜	SaraLee x	0.64	2.9	15	4282	22⅝	22¼	22⅜	-⅛
50⅛	42⅛	Scana Corp	2.82	6.2	12	51	45⅝	45¼	45½	-⅛
20½	12½	Scecrp	1.00	7.4	9	3247	13¾	13½	13½	-⅛
40½	31¾	SchererRP			30	508	40⅜	40	40⅛	+⅛
71⅞	54½	SchPl	2.04	2.9	16	4798	70⅞	68⅞	70½	+⅛
63	50¾	Schlmb x	1.20	2.1	23	6113	57⅛	56¼	57	+¾
33⅞	23¾	Schwab(C)	0.28	0.9	14	808	30⅛	28½	30⅛	+½
10¾	6⅛	Schwitzer			26	38	9¼	9	9⅛	+⅛
44¾	24⅞	SciAtl	0.12	0.3	89	2658	u44¾	43⅞	44½	+⅜
16⅞	13	Scotmen	0.10	0.6	14	2	15⅝	15⅝	15⅝	-⅛
64¼	37¼	ScottP	0.80	1.2	17	4794	u68¾	64¼	66	-2⅛

AMEX COMPOSITE PRICES

4 pm close August 30

NASDAQ NATIONAL MARKET

4 pm close August 30

AMERICA

Dow downturn enlivened by takeover news

Wall Street

US stocks paused yesterday morning as a firmer bond market failed to discourage profit-taking on the heels of the stock market's recent advance, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 4.53 lower at 3,894.32, while the more broadly based Standard & Poor's 500 was down 0.50 at 474.09. Volume on the Big Board was moderate, with 161m shares traded by early afternoon.

In the secondary markets, the American SE composite was off 0.31 at 451.77, and the Nasdaq composite eased 0.50 to 762.71 after seven sessions of steady gains.

The day's economic news was mixed. The Commerce Department reported that July sales of new homes were up 8.3 per cent, a little more than analysts had expected.

However, the Conference Board said that its August index of consumer confidence was much weaker than forecast, suggesting a slowdown in spending in the second half of this year.

The bond market chose to focus on the second of the two reports in view of the volatility of the housing sector. As a result, the inflation-sensitive 30-year government security was posting modest gains by midday.

But stocks, which had ignored a small decline in bonds during the previous session, struck out on their own again yesterday. A notable loser was Caterpillar, which gave back $1½ to $114¼ and dragged the Dow industrial index into negative territory.

Most issues drifted aimlessly as many investors remained on the sidelines ahead of Friday's keenly awaited employment data. The report should give the market more conclusive evidence on the strength of the economy, and of the Federal Reserve's intentions on monetary policy.

Amid the general torpor, several individual stocks were buffeted by a fresh tranche of acquisition news. Investors piled into Lockheed after the announcement of its planned merger with Martin Marietta in a $10bn stock transaction. The defence contractor's share price rocketed 13 per cent, or $8⅝, to $74¼, while the value of its partner's stock receded $⅝ to $47⅛.

The news triggered buying throughout the defence sector. Loral was $1⅜ higher at $41⅜ and McDonnell Douglas added $1⅜ to $118⅞. Litton Industries appreciated $1¼ to $39.

The session was highlighted by a second merger agreement, struck by two lesser-known manufacturing concerns. Reliance Electric jumped $5½, or 27 per cent, to $25⅜ after announcing a decision to link up with General Signal. Investors in the latter were displeased by the move, marking its share price down $1⅛ to $35¾.

In transport, AMR, parent of American Airlines, added $⅝ to $59. The company said it was streamlining its management as the first step in a restructuring plan designed to save $1bn.

On the Nasdaq, many technology stocks pulled back a little after their sustained march forward. Lotus Development dropped $1⅜ to $41⅛ and Cyrix lost $1¼ to $42½. Sun Microsystems was down $1 at $26⅞.

Canada

Toronto was weaker at midday in spite of a leap in precious metals prices, while base metals, which led losing sectors, was pressured by profit-taking.

The TSE 300 composite eased 8.67 to 4,323.76 in turnover that picked up to 36.36m shares.

Metall Mining helped to mute base metals losses when it rose C$⅝ to C$11⅞ after its parent company, Metallgesellschaft of Germany, said it would sell its 50.1 per cent stake to the public for gross proceeds of C$438m.

Alcan Aluminium lost C$⅝ to C$35¼. The US Justice Department has launched an investigation into the possibility of anti-competitive practices in the aluminum industry after a complaint of price-fixing.

Venezuela

Caracas turned in its strongest performance for more than a week, in a techincal recovery following falls in recent days and amid optimism about the government's new macroeconomic plan, due shortly. The Merinvest Composite index rose 3.08 or 2.3 per cent at 143.22.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+1.19	+2.98	+5.18	-5.79	+0.56	+4.81
Belgium	+0.88	-0.52	+6.41	-4.25	+3.19	+7.56
Denmark	-1.53	-6.25	+4.35	-5.51	-0.39	+3.83
Finland	+1.65	+3.74	+32.67	+21.79	+33.16	+38.78
France	+2.45	-0.61	-2.29	-8.27	-2.88	+1.23
Germany	+0.57	+0.61	+10.71	-6.07	+0.22	+4.46
Ireland	+3.52	+2.91	+10.44	+2.20	+5.75	+10.22
Italy	+4.35	-3.18	+5.93	+12.36	+16.50	+21.42
Netherlands	+2.84	+2.28	+11.61	-1.60	+4.58	+9.00
Norway	+0.74	-1.30	+13.59	+5.51	+10.97	+15.66
Spain	+1.84	-1.52	-0.59	-6.30	-1.20	+2.97
Sweden	+3.21	+0.55	+17.08	+4.71	+8.97	+13.57
Switzerland	+0.87	+0.69	+6.31	-10.75	-3.48	+0.60
UK	+2.15	+5.67	+6.08	-3.98	-3.99	+0.07
EUROPE	+1.96	+2.03	+6.21	-4.22	-0.55	+3.66
Australia	+0.85	+1.04	+9.12	-3.30	+1.70	+6.00
Hong Kong	-0.39	-0.90	+30.69	-21.92	-25.09	-21.92
Japan	-0.46	-0.02	-0.46	+12.48	+20.10	+25.17
Malaysia	-2.60	+9.54	+41.76	-12.71	-11.45	-7.71
New Zealand	+0.89	+4.83	+6.90	-1.75	+1.66	+5.95
Singapore	-1.39	+3.32	+17.82	-8.59	-5.95	-1.98
Canada	+2.83	+3.79	+8.94	+2.01	-5.42	-1.43
USA	+2.07	+3.26	+2.63	+1.81	-2.32	+1.81
Mexico	+2.27	+11.98	+45.09	+6.23	-6.11	-2.14
South Africa	+1.26	+3.76	+48.65	+19.83	+8.76	+13.35
WORLD INDEX	+1.14	+1.99	+4.20	+2.22	+3.32	+7.69

† Based on August 26th 1994.

EUROPE

Euro Disney rebounds before rise in base rates

Lacking a further push from Wall Street, bourses consolidated, or declined a little, *writes Our Markets Staff.*

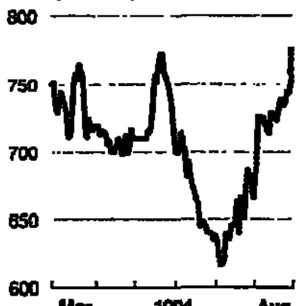
PARIS closed before four French banks added 25 basis points to their base lending rates, a move which Mr Michael Woodcock at Nikko Europe thought was politically driven.

Earlier, market turnover fell from FFr2.4bn to an even thinner FFr1.96bn as the CAC-40 shed 14.90 to 2,060.37. Once again, the main highlight of the day was the gyrating Euro Disney, suspended limit down early in the morning when it hit a low of FFr7.55, and three times limit up: the company met analysts in the afternoon and the shares eventually closed 70 centimes higher at FFr9.10.

Elsewhere, Docks de France climbed FFr26, or 3.5 per cent, to FFr778 on renewed rumours that the UK's J. Sainsbury, which has already denied the story, would buy the French supermarket operator.

Among the day's losers, Elf Aquitaine lost FFr4.50 at FFr414 ahead of tomorrow's first-half results. Mr Woodcock noted that the oil company had already flagged a 20 per cent drop in operating income, and said that analysts will be looking for signs of a recovery in chemicals, and progress in debt reduction.

Docks de France



Source: FT Graphite

Michelin had its fourth day on the downgrade, losing FFr2.40 at FFr232.60 on fears of a price war in the European tyres market.

FRANKFURT followed Monday's pattern in the morning, doing its best to consolidate the previous day's post-bourse gains, but it had nothing left in the afternoon and the Ibis-indicated Dax closed 9.90 lower on the day at 2,205.82.

Turnover rose from DM6.9bn to DM7.6bn. In the automotive sector, BMW was down DM9 to DM831 at the end of the day and Continental, the tyre-maker, by DM4 to DM256.50. Analysts said that BMW had simply run out of momentum; Conti, last week, forecast only a slight increase in profits this year after reasonable first-half gains.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Aug 30 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1398.73	1401.44	1400.47	1399.57	1401.51	1403.46	140[illegible]	1401.90
FT-SE Eurotrack 200	1459.63	1461.42	1460.89	1458.92	1460.25	1461.43	1459[illegible]	1469.43

	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22
FT-SE Eurotrack 100	1385.89	1370.77	1359.31	1347.78	[illegible]
FT-SE Eurotrack 200	1449.58	1433.67	1419.32	1409.10	[illegible]

Base 1000 (26/10/90). High/day: 100 - 1403.62; 200 - 1462.71 Low/day: 100 - 1398.71 200 - 1457.48 [illegible]

In retailing, lower first-half earnings at Kaufhof left the shares down DM9 at DM547; among the engineers, recently popular stocks such as Linde and Preussag fell DM13 to DM949 and DM7 to DM496; but a strong technical position took Veba up DM6 to DM555.50 in utilities, and its competitor Viag DM5.30 higher to DM506.

ZURICH consolidated after Monday's sharp rise, the SMI index ending 0.5 higher at 2,635.7. UBS bearers, however, remained in favour, adding another SFr7 at SFr1,167 and Ciba, due to release half-year profits figures this morning, put on SFr6 at SFr827.

Alusuisse, which said it expected consolidated sales to rise above SFr7bn this year and net profit to be double the 1993 level, rose SFr11 in immediate response before easing back to end SFr8 up at SFr700.

Insurers closed slightly higher, with Zurich Insurance registered shares SFr5 ahead at SFr1,275.

AMSTERDAM turned lower after five straight days of advances, under pressure from Wall Street, softer bonds and the weaker dollar. The AEX index retreated 3.60 to 421.00, also depressed by ABN Amro and Aegon trading ex-dividend.

The publishing sector bucked the trend as investors were seen switching from cyclical stocks. Wolters Kluwer added Fl 1.60 at Fl 121.[illegible] and VNU rose 60 cents to Fl 185.50 ahead of first-half results expected today.

Stork, the machinery group, declined Fl 1.60 to Fl 47.50 with its announcement of a [illegible] per cent increase in first-half profits failing to match expectations. The group will release further details to analysts today.

Philips fell 90 cents to Fl 58 on US selling and Royal Dutch gave up Fl 1 of recent advances to finish at Fl 198.

MILAN continued to await tangible budget news from the government and shares slipped back in thin trade, with many investors still away on holiday. The Comit index receded 5.88 to 688.82.

Among the large industrial stocks, firm on Monday, Fiat gave back L80 to L6,535, Montedison relinquished L12 to L1,412 and Pirelli declined L30 to L2,600.

Benetton was one of the few stocks to advance as the firming dollar prompted arbitrage trade between the shares listed in Milan and New York. The Milan shares advanced L413 to L25,166.

Insurers were subdued, having already discounted the announcement that the government had suspended the 15 per cent tax on contributions to private pension schemes for six months. Generali fell L233 to L42,053 and Ras was L265 lower at L25,994.

MADRID featured a drop in turnover from Pta18bn to Pta15.7bn as the general index closed 1.29 lower at 313.18, but there was some joy in the market after a 41 per cent rise in first-half net profits at Gas Natural, which rose Pta2[illegible]0 to Pta10,450. Repsol, the oil company which owns 45 per cent of Gas Natural, rose a total Pta10 to Pta4,195.

STOCKHOLM was [illegible] profit-taking and the [illegible] värden index lost [illegible] 1,451.40 as initially [illegible] ing picked up late in the [illegible]

Volvo "B" shares fell SKr[illegible] SKr147 in spite of [illegible] figures at the top end of [illegible] tions. In subsequent New York trade, the Volvo ADR [illegible] $⅝ by early afternoon [illegible] as investors took quick profits.

Skandia, the insurer [illegible] SKr4 to SKr113 in response to its half-yearly figures which came late on Monday.

Among companies due to report interim figures today, Astra's "A" stock shed SKr[illegible] SKr175 and MoDo "B" [illegible] SKr6 to SKr350, but SCA "B" rose SKr3 to SKr114.

COPENHAGEN, weak this month, blamed the impending expiry of the KFX September future as the KFX index hit a new low for the year, down 1.36 at 96.84.

TEL AVIV's recovery took it through 183.40 – the level at which it stood before a selling stampede, following news of a 10 per cent capital gains tax on share transactions, pushed it down 9.9 per cent 10 days ago. The Mishtanim index moved ahead a further 3.81, or [illegible] per cent, to 183.75.

Written and edited by William Cochrano and Michael Morgan

ASIA PACIFIC

Profit-taking hits Nikkei as Hong Kong rises 3.1%

Tokyo

Small-lot profit-taking by banks depressed share prices and the Nikkei 225 average edged down in low volume, *writes Emiko Terazono in Tokyo.*

The index finished 8.23 easier at 20,592.12 after a day's low of 20,503.70 and high of 20,629.93. Selling by banks and companies ahead of the September interim book closing continued to depress investor confidence, while arbitrage buying and purchases by public funds supported the index in the afternoon.

Many foreign investors were absent from trading following Monday's holiday in the UK and Hong Kong. Individual investors, meanwhile, focused trading on the over the counter market, and volume sank to 183m shares from 206m.

The Topix index of all first section stocks slipped 2.71 to 1,637.37 and the Nikkei 300 lost 0.21 at 298.16. Losers led gainers by 601 to 308, with 223 issues unchanged. In London the ISE/Nikkei 50 index was 0.82 firmer at 1,331.91.

Market participants dabbled in telecommunication linked stocks ahead of Japan Telecom's listing, while some overseas investors took profits on steel shares. Traders hoped domestic institutional activity would recover when profit-taking had run its course. "The index should be looking better in about two weeks' time," commented a Japanese broker.

Sumitomo Metal, the most active issue of the day, rose Y3 to Y348 on buying by foreigners. However, selling by overseas investors depressed NKK, Y2 lower at Y283, and carmakers Toyota Motor and Nissan Motor, which receded Y10 to Y2,140 and by Y13 to Y766 respectively.

Selling by individuals drove some speculative favourites down. Sumitomo Coal Mining retreated Y46 to Y769 and Chino, a measuring instrument maker, plunged Y100 to Y817.

Buying of telecommunication stocks spilled over into other high-technology issues. Sony gained Y120 at Y6,020 and Hitachi Y6 at Y981.

Advantest, the semiconductor testing device maker, advanced Y80 to Y3,430 following reports of a sharp rise in profits during the first half of the current business year.

Reports of improved earnings supported truck makers. Hino Motors put on Y20 at Y962 and Nissan Diesel added Y13 at Y599.

In Osaka, the OSE average dipped 54.09 to 22,872.61 in volume of 48.2m shares. Nintendo, the video game maker, shed Y70 to Y6,330.

Roundup

Positive performances were again seen in some of the Pacific Rim markets.

HONG KONG rose 3.1 per cent as it returned after a long holiday weekend and responded to Wall Street's rally and some better than expected corporate results. The Hang Seng index jumped 287.48 to 9,686.56 in turnover of HK$5.19bn, against Friday's HK$3.10bn, with US and Japanese institutions identified as strong buyers.

Cheung Kong moved ahead HK$1.60 to HK$38.10 and Hutchison gained HK$1.80 at HK$37.60, both continuing to benefit from their results announced late last week.

BANGKOK rallied through the day as active buying of blue chips alternated with slight profit-taking in finance and property issues. The SET index closed at the day's high, up 32.29 or 2.2 per cent at 1,492.53. Turnover reached a heavy Bt14.21bn.

KUALA LUMPUR was lifted by institutional interest in Telekom Malaysia and the composite index rose 9.64 to 1,130.01, up from a morning's low of 1,112.95. Telekom climbed 70 cents to M$21.40, adding to Monday's 40 cents advance.

SEOUL was slightly higher in moderate trading on gains by low-priced issues with good earnings prospects. The composite index closed 3.84 up at 939.85 in volume that remained low at 25.8m shares.

MANILA rebounded in higher volume from Monday's dip, reflecting strong support at current levels, although brokers said a correction would be welcome. The composite index ended 11.80 ahead at 3,104.07 in volume of 5.3bn shares, compared with Monday's 2.5bn.

SYDNEY edged ahead in good volume, although investors were said to be cautious of Wall Street pulling back overnight. The All Ordinaries index rose 4.6 to 2,116.5.

CRA gave up 44 cents to A$20 as analysts said its first-half results were within expectations and that the stock now looked fully priced.

SHANGHAI's A share index gained 6.6 per cent after a buying spree in large-capital issues and the blue chip, Pudong. The index put on 48.39 at 776.39.

Shanghai's B shares rose for the fifth straight trading day, adding 0.94, or 1.2 per cent, at 79.38.

TAIPEI saw heavy profit-taking after Monday's advance which had taken the market to a four-year high. The weighted index fell 60.24 to 6,980.28, after [illegible] high of [illegible] turnover of T$96.7bn.

Plastics shares, which [illegible] previous gains, were hit, with China Petrochemical losing T$1.50 at T$15.30.

SINGAPORE edged lower as a few sellers pushed share prices in a market lacked buying interest. Straits Times Industrial closed 6.29 off at 2,299.51

Malaysian shares traded [illegible] the counter recovered [illegible] ately in the afternoon, [illegible] led back slightly in the half-hour as cautious investors preferred to take profits of Malaysia's National Day holiday today.

Strong golds help S Africa

Gold shares were the feature of Johannesburg trading as a rally in the bullion price lifted the golds index by 63, or 2.8 per cent, to 2,297.

The good gains in the sector offset a softer showing among industrial shares, helping to take the overall index ahead to 5,845 from a previous close of 5,822.

Industrials remained under pressure, the index weakening 39 to 6,539 as investors worried that the latest rise in inflation could lead to higher interest rates.

Kloof, the gold miner, gained R1.75 at R69.75, while Gencor edged up 10 cents to R13.50 in anticipation of good year-end results due after the market closed. Vaal Reefs advanced R10 to R428.

Barlows, the industrial group, relinquished 50 cents at R31.75, while Iscor, the steel producer, finished 1 cent softer at R4.18 ahead of annual results due today.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY AUGUST 29 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY AUGUST 26 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	179.92	1.7	174.23	113.99	148.06	161.10	1.9	3.42	176.88	170.07	112.13	143.60	158.11	189.15	139.24	146.05
Austria (17)	192.80	-0.6	186.70	122.14	158.68	158.61	1.1	1.01	193.88	186.40	122.90	157.39	156.90	195.41	164.64	171.62
Belgium (37)	174.17	-0.4	168.66	110.34	143.35	140.05	0.9	3.95	174.94	168.19	110.89	142.01	138.85	176.76	143.62	147.85
Canada (104)	134.96	0.8	130.69	85.50	111.08	133.77	0.7	2.53	133.85	128.69	84.85	108.66	132.81	145.31	120.54	127.56
Denmark (33)	253.40	-1.3	245.39	160.54	208.55	216.15	0.1	1.37	256.66	246.76	162.70	208.35	215.87	275.79	220.58	222.02
Finland (24)	174.43	2.0	168.91	110.50	143.56	187.32	2.7	0.75	170.98	164.39	108.38	138.80	182.35	174.43	104.28	111.25
France (97)	177.03	-0.6	171.44	112.16	145.71	150.48	0.7	2.92	178.12	171.25	112.91	144.60	149.50	185.37	159.34	167.93
Germany (58)	146.45	0.0	141.82	92.78	120.53	120.53	1.4	1.71	146.50	140.85	92.87	118.93	118.93	147.75	124.16	124.16
Hong Kong (56)	382.04	0.0	369.96	242.04	314.44	379.06	0.0	3.21	382.03	367.31	242.18	310.14	379.06	506.56	292.08	292.80
Ireland (14)	204.00	-0.1	197.55	129.24	167.90	190.01	0.4	3.33	204.14	196.28	129.41	165.73	189.27	209.33	161.54	169.99
Italy (59)	83.72	0.5	81.07	53.04	68.91	100.01	1.5	1.55	83.28	80.07	52.79	67.61	98.53	97.78	57.88	78.88
Japan (469)	163.40	0.3	158.24	103.52	134.49	103.52	0.3	0.74	162.89	156.61	103.26	132.24	103.26	170.10	124.54	159.51
Malaysia (97)	545.02	-0.2	527.79	345.30	448.58	535.89	0.0	1.55	545.95	524.91	346.09	443.21	535.75	621.63	387.51	387.61
Mexico (18)	2327.78	-0.4	2254.17	1474.73	1915.84	8601.09	-0.1	1.55	2336.56	2246.49	1481.17	1896.82	8613.32	2647.06	1615.11	1764.86
Netherland (27)	216.66	-0.2	209.81	137.26	178.32	175.66	1.1	3.26	217.02	208.65	137.57	176.18	173.68	217.02	180.25	183.18
New Zealand (14)	73.11	1.6	70.80	46.32	60.17	64.44	1.8	3.71	71.95	69.18	45.61	58.41	63.33	77.59	59.22	61.78
Norway (23)	208.27	0.2	201.68	131.94	171.41	196.30	1.5	1.68	207.77	199.76	131.71	168.66	193.48	211.74	165.52	173.64
Singapore (44)	361.42	0.3	349.99	228.97	297.46	250.08	0.4	1.69	360.25	346.37	228.37	292.46	249.11	378.92	284.30	285.26
South Africa (59)	298.69	-1.4	289.25	189.23	245.83	298.03	-0.7	2.11	302.82	291.15	191.96	245.83	300.16	305.44	175.93	194.29
Spain (42)	143.94	0.3	139.39	91.19	118.47	143.25	1.3	4.03	143.49	137.96	90.96	116.49	141.37	155.79	128.88	139.59
Sweden (36)	222.18	-0.4	215.16	140.76	182.87	254.66	0.4	1.57	223.02	214.43	141.38	181.06	253.73	231.35	175.83	184.59
Switzerland (47)	161.53	0.3	156.43	102.34	132.95	134.04	1.9	1.81	161.10	154.89	102.13	130.78	131.59	176.56	135.48	135.80
United Kingdom (204)	203.74	-0.7	197.29	129.08	167.69	197.29	0.0	3.85	205.20	197.29	130.08	166.59	197.29	214.96	181.11	189.49
USA (517)	193.67	0.2	187.55	122.70	159.40	193.67	0.2	2.78	193.34	185.89	122.56	156.95	193.34	198.04	178.95	186.14
EUROPE (718)	175.20	-0.3	169.65	110.99	144.19	159.26	0.7	2.82	175.77	168.99	111.42	142.69	158.10	178.58	153.98	157.31
Nordic (116)	217.30	-0.1	210.43	137.67	178.84	212.96	0.6	1.39	217.60	209.21	137.94	176.64	211.30	222.03	173.19	175.57
Pacific Basin (748)	172.57	0.3	167.12	109.33	142.04	114.11	0.3	1.06	171.97	165.35	109.02	139.61	113.75	176.86	134.79	163.38
Euro-Pacific (1466)	173.55	0.1	168.06	109.95	142.84	131.99	0.5	1.85	173.45	166.76	109.95	140.80	131.34	175.05	143.86	160.77
North America (621)	190.03	0.2	184.02	120.39	156.40	189.55	0.2	2.77	189.65	182.34	120.22	153.96	189.18	192.73	175.67	184.39
Europe Ex. UK (514)	156.16	-0.1	151.22	98.93	128.52	137.05	1.2	2.37	156.30	150.27	99.08	126.88	135.45	158.12	134.97	137.09
Pacific Ex. Japan (279)	262.08	0.5	253.80	166.04	215.71	233.12	0.6	2.77	260.69	250.64	165.25	211.63	231.64	296.21	200.13	201.80
World Ex. US (1647)	175.13	0.1	169.59	110.95	144.14	135.74	0.5	1.87	175.04	168.30	110.96	142.10	135.11	176.37	145.58	161.00
World Ex. UK (1960)	177.95	0.2	172.33	112.74	146.46	149.46	0.4	2.01	177.63	170.79	112.60	144.20	148.86	178.02	155.96	167.05
World Ex. So. Af. (2105)	179.49	0.1	173.81	113.71	147.73	152.65	0.4	2.19	179.30	172.38	113.66	145.55	152.07	179.50	158.54	168.98
World Ex. Japan (1695)	191.25	0.0	185.20	121.16	157.40	183.20	0.4	2.80	191.25	183.88	121.24	155.26	182.45	195.20	174.04	178.15
The World Index (2164)	180.23	0.1	174.53	114.18	148.33	153.72	0.4	2.19	180.06	173.12	114.15	146.18	153.17	180.26	158.85	169.03

PLEASE NOTE: Constituent change 29/8/94: Deletion: Gerber Products (USA). Latest prices were unavailable for this edition. Markets Closed 29/8/94, Hong kong and UK.